

**EMERALD COAST UTILITIES AUTHORITY**  
**PENSACOLA, FLORIDA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

Prepared by:

Department of Finance  
Debra Buckley  
Director of Finance

## **INTRODUCTORY SECTION**

**EMERALD COAST UTILITIES AUTHORITY**  
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March 9, 2011

Citizens of Escambia County and  
Members of the Board  
Emerald Coast Utilities Authority  
Pensacola, Florida

The management and staff of the Emerald Coast Utilities Authority (the “Authority”) are pleased to present the Comprehensive Annual Financial Report for the year ended September 30, 2010. The financial statements are audited in conformity with Chapter 166.241(1), Florida Statutes, and Chapter 10.550 of the Rules of the Auditor General of the State of Florida. Responsibility for both the completeness and fairness of the presentation, including all disclosures, rests with management. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to fairly present the financial position and results of operation of the Authority. All disclosures necessary to enable the reader to gain an understanding of the Authority’s financial activities have been included.

Management’s Discussion and Analysis (MD&A) can be found in the Financial Section immediately following the report of the independent auditors. MD&A complements this letter of transmittal and should be read in conjunction with it.

The Authority’s management staff is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Authority are protected from loss, theft or misuse, and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

### **The Reporting Entity**

The Authority was created by State legislation in 1981 to acquire, consolidate, manage and operate the water and wastewater systems in Escambia County, Florida. The Authority is an independent special district and is governed by a board of five members who are elected from districts located in Escambia County. The Authority employs an executive director, who is the chief executive officer of the Authority.

The Authority's service area covers most of southern Escambia County, which is located in the far northwestern part of the State of Florida. In addition to the water and wastewater utility, the Authority operates a sanitation collection utility for residential and commercial garbage.

The Authority Board annually approves an operating budget and a five-year capital improvement budget. Budgetary controls are maintained by the Authority. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Board. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is by total appropriations. The Executive Director may approve transfers of appropriations within the budget. However, changes in total appropriations require Board approval. Budget-to-actual comparisons are provided in the Comprehensive Annual Financial Report (CAFR) separately for the combined water and wastewater system, and for the sanitation system, as well as for the Authority as a whole. Although the water and wastewater system and the sanitation system do not meet the definition of separate "funds", the Authority has established a policy that both systems be self-supporting in accordance with sound accounting policy.

### **Factors Affecting Financial Position**

Management believes the Authority's financial condition remains strong. Despite the current economic downturn, stringent financial planning and conservative budgeting have ensured that the Authority remains fiscally sound.

The county has a diverse economic base that includes military, industry, shipping, tourism and recreation, agriculture, services, and retail sales trade. The United States Department of Labor Bureau of Labor Statistics listed Escambia County's unemployment rate for December 2010 at 11.2%, slightly below the state average of 11.6% and significantly higher than the nation's 9.4% average.

The Florida Association of Realtors reported a total of 3,527 homes sold in the Pensacola metropolitan service area (MSA) during 2010. This is a 9% increase over home sales in 2009. Condominium sales rose 1% from 462 units sold in 2009 to 467 units in 2010.

### **Highlights and Initiatives**

#### **Central Water Reclamation Facility Construction**

Six years after Hurricane Ivan's devastating impact on Northwest Florida and the Authority's Main Street Wastewater Treatment Plant (MSWWTP), the new Central Water Reclamation Facility (CWRF) began accepting wastewater flows August 30, 2010. Wastewater flow was gradually diverted from the MSWWTP to the CWRF as the biological treatment process function increased.

The CWRF has been designated as an advanced wastewater treatment facility, meaning it will produce effluent of a very high quality, which will be disinfected to the level required for unrestricted exposure to the public. Thanks to innovative partnerships with Gulf Power Company and International Paper, 100% of the reclaimed water from the CWRF will be reused by those two companies in their industrial processes, eliminating any potential surface water discharge. The CWRF is well above the flood plain and is constructed to withstand Category Five hurricane force winds of up to 190 mph. Redundant power and storage systems help to ensure that the facility can remain operational during conditions similar to those that crippled the MSWWTP during Hurricane Ivan in 2004.



The CWRP was funded through grants from the Federal Emergency Management Agency (FEMA) and other federal sources, the State of Florida, Escambia County, the City of Pensacola and borrowing. Three major lift stations and 25 miles of transmission pipeline were constructed as part of the project.

With the completion of the CWRP, the Authority plans to phase-out and demolish the MSWWTP, which is in downtown Pensacola. Many believe the demolition of the MSWWTP will encourage economic development in the downtown area.

### **New Facilities**

With the phase-out of operations at the MSWWTP, a replacement was needed for the water quality laboratory that had operated at the downtown location. A new laboratory building was constructed at the Authority's Ellyson campus, thus providing the Authority with a more centrally located lab for all of our water quality testing needs. The Authority is also constructing an addition to the existing Customer Service building. This building addition, which will house administration offices and a new board room, will double the size of the existing facility.

The Authority has entered into an agreement with Escambia County for the purchase of approximately three acres at the County's Equestrian Center site for a water production facility to serve western Escambia County.

### **ECUA/IP Pipeline and Wetlands Project**

This unique public/private partnership has been under development for approximately ten years. After several administrative challenges, a permit was issued to International Paper (IP) for the project in March 2010, and construction began in June. Construction is estimated to take approximately 24 months. The Authority's 20 percent share of the project reflects a commitment of approximately \$8 million.

### **Major Completed Water and Wastewater Projects**

#### **Bayou Marcus Wetlands Expansion**

Since 1998, effluent disposal/reuse from the Bayou Marcus Water Reclamation Facility (WRF) has been via discharge to the northern wetlands. Over time, an expansion project was deemed necessary to address both long-term capacity needs and discharge limitations. To ensure continued compliance with the Florida Department of Environmental Protection (FDEP) operating permit, a project was initiated to construct a supply and distribution system to the southern wetlands. In 2009, the Authority received a permit from the FDEP to expand into the southern section of the Bayou Marcus wetlands. The permitting efforts also included a re-rating of the effluent disposal capacity of the wetlands (an approximate 25% increase). A construction contract for installation of the piping and the discharge system was recently awarded. The Bayou Marcus WRF also earned the National Association of Clean Water Agencies Gold Peak Performance Award for excellence in process operations with no permit excursion for the entire year.

#### **Perdido Key Trunk "I" Diversion, Phase 1**

The Perdido Key Trunk Diversion Project was completed this year. The Phase 1 portion of the project included completion of a large lift station on Bauer Road and the installation of 8,950 feet of 16-inch diameter force main pipe at a cost of \$2,250,000.

### **Sewer System Rehabilitation/ Infiltration & Inflow**

Realizing that a large part of the Authority's wastewater collection system is aging and in need of repair, Authority staff established a method to identify areas of concern in an attempt to reduce overflows and infiltration into the collection system. These efforts focus on gravity sewer mains that are cracked, have bad joints, and are a potential source for infiltration and inflow. Design work was completed and contracts awarded for cured-in-place pipe (main) lining, and test-and-seal services for the Pensacola Beach Sewer Basin and the Pen Haven area. Design work was begun for a major portion of the rehabilitation of the downtown Pensacola and Cantonment areas. To date, approximately 15,000 line feet in the Pen Haven area and approximately 4,000 line feet of mains on Pensacola Beach have been repaired.

On a system-wide basis, using a proactive approach to identify and correct infiltration and inflow problems in the sewage collection system, the Authority has continued to manage contracts for the cleaning and TV inspection of existing sewer lines and for various trenchless methods of repairs for identified major rehabilitation needs. Using these contracts, 18,000 linear feet of pipe were cleaned and inspected, and 32,450 linear feet of pipe were repaired using trenchless lining methods.

### **Pensacola Beach Wastewater Treatment Plant Disinfection System Modifications**

The Authority modified the Pensacola Beach Wastewater Treatment Plant disinfection system to chlorination followed by de-chlorination prior to discharge to the Santa Rosa Sound. The project also included provisions for re-use of up to 60,000 gallons per day as irrigation for the medians on Santa Rosa Island.

### **Sewer Expansion Program**

Six sewer expansion projects were completed this year. The sewer expansion program provides for the installation of gravity sewer systems in residential areas, allowing the residents to convert from septic tank to the Authority's wastewater system. These six projects added 467 new wastewater services to the system at a cost to the Authority of \$2,538,000.

### **Sanitation**

The Household Hazardous Waste (HHW) collection program began operations Saturday, July 10, 2010. The free program allows residential sanitation customers to call-in and request a pick-up of HHW items once-per-month. The collection includes the pick-up of items such as pool chemicals, household chemicals, paints, used cooking grease, lawn and garden chemicals, tires, propane tanks, and electronics. The goal of the program is to make disposal of these items more convenient and remove the temptation to dispose of these items improperly, which can harm the environment.

### **Financial Information**

**Long-Term Financial Planning.** The Authority maintains a five-year capital improvements plan. Capital construction planning entails an evaluation and ranking process that begins in advance of the operating budget process. It is the Authority's philosophy that new projects are only undertaken if current and future operating revenues are sufficient to fund the associated operating costs. The current capital improvements plan totals \$307 million over the next five-year planning period.

Funding for the capital improvements plan for 2011 is scheduled to come from existing balances, operating revenues and bonds. The funding levels for 2012 through 2014 were based on the Feasibility Study completed in fiscal year 2010. The major portions of the projects will need to be funded from bond issues which will require annual rate increases.

Funding for the \$316 million CWRP came from various sources, including loans, grants from the Environmental Protection Agency, the State of Florida, and FEMA (for which there was a ten percent (10%) required match to be funded equally by the State and the Authority). Escambia County and the City of Pensacola are also participating in the funding. The Authority Board approved a Sewer Improvement Fee, starting in the summer of 2007, which is charged to all wastewater customers to aid in funding the debt service for the project.

**Cash Management Policies and Practices.** The Authority invested idle cash during the fiscal year according to investment policies adopted by the Board. Pursuant to Florida law, the policy follows the specific objectives of protection of principal, maximization of return, provision of sufficient liquidity, and diversification of investments to control risk. Funds were invested in the State of Florida, Board of Administration investment pool, enhanced cash funds, U.S. treasury securities, mutual funds, and state and local government securities. Investment income includes appreciation in the fair value of investments. Increases in fair value during the current year, however, do not necessarily represent trends that will continue; nor is it always possible to realize such amounts, especially in the case of temporary changes in the fair value of investments that the Authority intends to hold to maturity. Additional information on the Authority's investments can be found in Note 2 in the Notes to the Financial Statements section.

**Risk Management.** The Authority is self-insured for general liability and workers' compensation claims. The Authority carries additional property and business interruption insurance for catastrophic losses. Note 13 in the Notes to the Financial Statements section, and the Schedule of Insurance in the Statistical Section provide additional information regarding the Authority's risk management program.

**Independent Audit.** State statutes require that the Authority's financial statements be audited by an independent certified public accounting firm. This requirement has been satisfied by the certified public accounting firm of Saltmarsh, Cleaveland & Gund. Their report on the Authority's financial statements is included in the financial section of this report.

### **Awards and Acknowledgements**

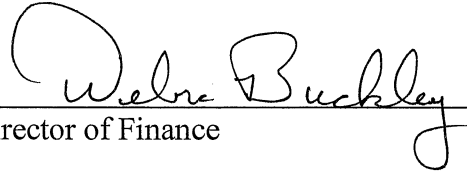
The Authority received a Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association (GFOA) for its CAFR for the fiscal year ended September 30, 2009. The Authority is proud to have received this award for twenty-two consecutive years. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate. Preparation of this CAFR would not have been possible without the dedicated effort of the entire Finance Department staff. Credit must also be given to the Executive Director and to the Board for their commitment to maintaining the highest standards of professionalism in the management of the Authority.

Respectfully submitted,

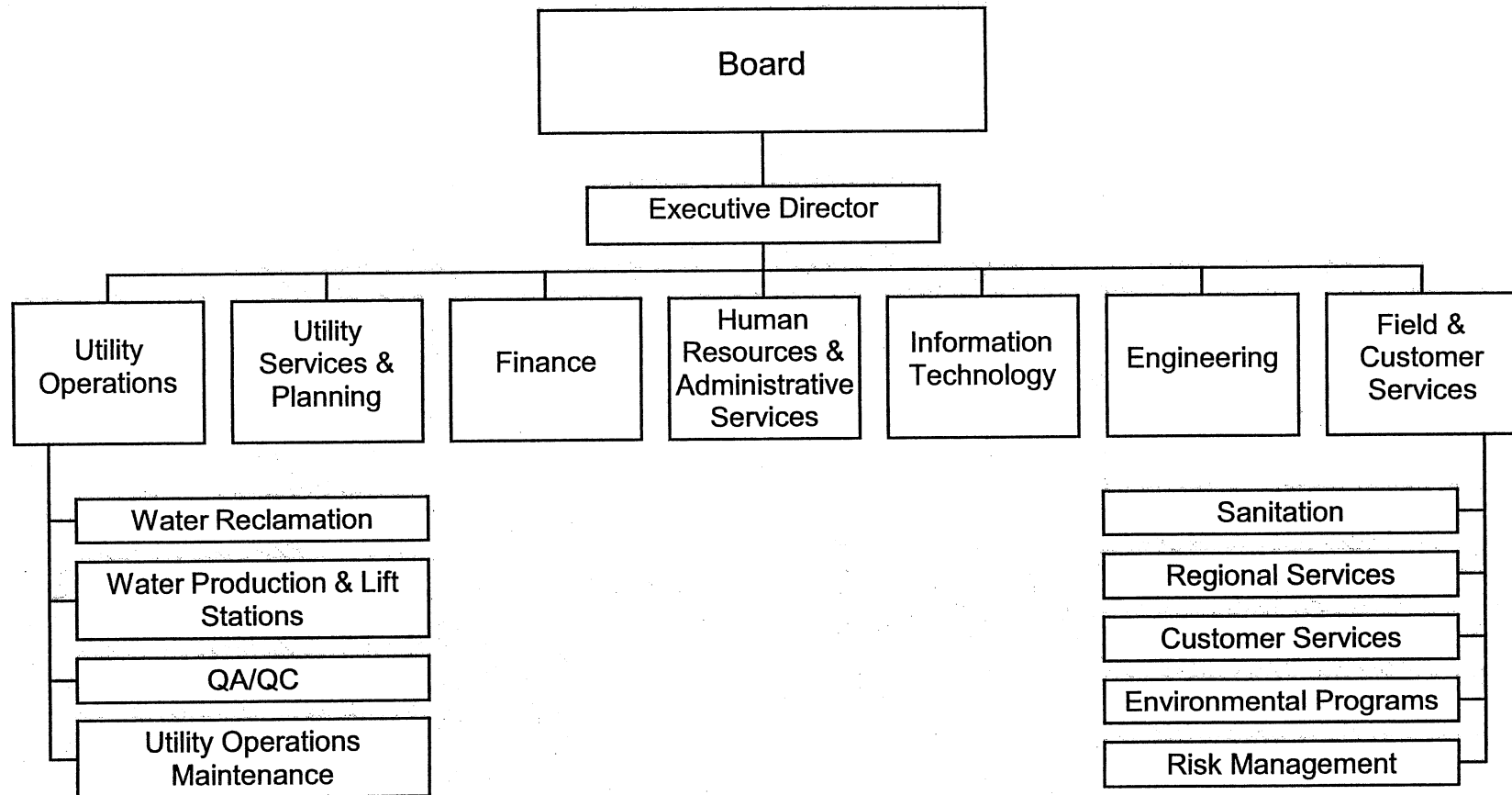
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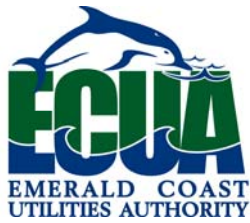
Executive Director

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Director of Finance

# EMERALD COAST UTILITIES AUTHORITY





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## PRINCIPAL OFFICIALS

### Board Members

Elvin McCorvey

Larry Walker

Dale Perkins

Lois Benson

Elizabeth Campbell

### Authority Officials

Stephen E. Sorrell

Executive Director

# Certificate of Achievement for Excellence in Financial Reporting

Presented to  
Emerald Coast Utilities Authority  
Florida

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

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## **FINANCIAL SECTION**

## INDEPENDENT AUDITOR'S REPORT

Members of the Board  
Emerald Coast Utilities Authority  
Pensacola, Florida

We have audited the accompanying basic financial statements of the Emerald Coast Utilities Authority as of and for the years ended September 30, 2010 and 2009, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of the Emerald Coast Utilities Authority, as of September 30, 2010 and 2009, and the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 9, 2011 on our consideration of the Emerald Coast Utilities Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Members of the Board  
Emerald Coast Utilities Authority

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 13 through 20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The introductory section, supplementary information, and statistical section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards and other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



Pensacola, Florida  
March 9, 2011

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Management's Discussion and Analysis offers readers of the Authority's financial statements an overview of the financial activities for the fiscal year ended September 30, 2010. Please read it in conjunction with the letter of transmittal, and the financial statements with its accompanying notes.

### **Financial Highlights**

- The Authority's assets exceeded its liabilities on September 30, 2010 by \$493 million (net assets), a \$21.5 million increase over the previous fiscal year. Of this amount, \$13 million (unrestricted net assets) may be used to meet the Authority's ongoing obligations to customers and creditors. Of the remaining \$480 million, approximately \$436 million was invested in capital assets net of related debt, while the remainder was restricted for utility plant expansion (\$2 million) and debt service (\$42 million).
- The Authority's net capital assets increased by \$82.4 million, or 13.5% over the previous year.
- Long-term debt increased by approximately \$12 million over fiscal year 2009. Debt service coverage for 2010 was 145%, which exceeded the debt service covenants requirement of 125%.
- The Authority received \$15.8 million in FEMA grant funds during the year for the construction of the Central Water Reclamation Facility (CWRP). We also received \$21.8 million from the Florida State Revolving Loan Fund for the CWRP construction.
- Operating revenue for 2010 was \$95 million compared with \$92 million in 2009, a 3.9% increase. The increase is attributed to a 5.93% increase in water and wastewater rates effective October 1, 2009. Water consumption decreased 4.5% or 490 million gallons from 2009. Excluding depreciation, operating expenses increased 1.3% or \$800 thousand over fiscal year 2009.
- Developer contributions increased by almost \$1.8 million this year due to increased residential development.

### **Overview of the Annual Financial Report**

The Comprehensive Annual Financial Report (CAFR) is presented in three sections: Introductory, Financial, and Statistical. The Introductory section includes a letter of transmittal, the Authority's Organization Chart, and a list of Principal Officials. The Financial section includes Management's Discussion and Analysis, Financial Statements with accompanying notes, and the Supplementary Information schedules. The Statistical section includes selected financial, operational, and demographic information generally presented on a multi-year basis. Other reports by the auditor regarding internal accounting controls and compliance with laws and regulations are included in the final section of this report, along with the auditor's management letter.

The Authority is a single enterprise fund even though it provides various utility services. The financial statements present the financial position of the Authority using full accrual accounting methods similar to those used by private sector companies. The financial statements include a balance sheet; a statement of revenues, expenses, and changes in net assets; a statement of cash flows; and notes to the financial statements.

The **balance sheet** presents information on all of the Authority's assets and liabilities, with the difference reported as net assets. Over time, increases and decreases in net assets are one indicator of whether the financial position of the Authority is improving or deteriorating.

The **statement of revenues, expenses, and changes in net assets** presents the results of the business activities during the reporting period and information as to how the net assets changed during the year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. This statement can be used to determine whether the Authority has successfully recovered all its costs through its user fees and other charges.

The **statement of cash flows** presents changes in cash and cash equivalents, resulting from operating, capital and related financing, and investing activities. This statement presents cash receipts and cash disbursement information, without consideration of the earnings event, when an obligation arises, or depreciation of capital assets.

The **notes to the financial statements** provide required disclosures and other information essential to fully understand the data provided in the financial statements. The notes present information about the Authority's significant accounting policies, account balances and activities, material risks, obligations, commitments and contingencies.

The **supplementary information** section presents the schedule of expenditures of federal awards and state financial assistance, the schedule of revenue and expenses compared to budget, and schedules that focus on the Water and Wastewater System and the Sanitation System. The schedule of revenue and expenses compared to budget can be used to determine the Authority's compliance with the budget. The separate schedules reflecting financial information for the Water and Wastewater System and the Sanitation System can be used to determine if the separate systems have recovered all associated costs for that system. It is the Board's philosophy that each system should be self-supporting.

## Financial Analysis

The following Condensed Balance Sheets provide an analysis of the change in financial position from the previous fiscal years:

<b>Condensed Balance Sheets</b>					
	2010	September 30, 2009	2008	2010 to 2009	
				Dollars	%
Capital assets:					
Producing assets	\$403,620,977	\$402,915,480	\$356,611,947	\$705,497	0.2%
Construction in progress	290,746,312	208,970,244	82,689,058	81,776,068	39.1%
Current assets	39,643,815	70,115,711	46,564,791	(30,471,896)	-43.5%
Other assets	135,678,610	164,241,563	208,219,376	(28,562,953)	-17.4%
Total assets	<u>\$869,689,714</u>	<u>\$846,242,998</u>	<u>\$694,085,172</u>	<u>\$23,446,716</u>	<u>2.8%</u>
Long-term liabilities	\$329,169,866	\$316,855,244	\$326,076,063	\$12,314,622	3.9%
Current liabilities	47,518,444	57,949,429	41,981,851	(10,430,985)	-18.0%
Total liabilities	<u>376,688,310</u>	<u>374,804,673</u>	<u>368,057,914</u>	<u>1,883,637</u>	<u>0.5%</u>
Net assets:					
Invested in capital assets, net of related debt	435,474,150	389,252,405	231,047,907	46,221,745	11.9%
Restricted	44,601,206	42,240,604	39,086,480	2,360,602	5.6%
Unrestricted	12,926,048	39,945,316	55,892,871	(27,019,268)	-67.6%
Total net assets	<u>493,001,404</u>	<u>471,438,325</u>	<u>326,027,258</u>	<u>21,563,079</u>	<u>4.6%</u>
Total liabilities and net assets	<u>\$869,689,714</u>	<u>\$846,242,998</u>	<u>\$694,085,172</u>	<u>\$23,446,716</u>	<u>2.8%</u>

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. However, other non-financial factors such as changes in economic conditions, customer growth, and legislative mandates should also be taken into consideration. In the case of the Authority, assets exceeded liabilities by \$493 million at the close of the most recent fiscal year. The increase in the Authority's net assets of \$21.5 million represents the extent to which revenues exceeded expenses during the year.

A major portion of the Authority's net assets (88%) reflect its investment in capital assets (e.g., land, buildings, improvements and equipment), less any related debt used to acquire those assets that is still outstanding. The Authority uses these assets to provide service to its customers and, consequently, these assets are not available for future spending. Although the Authority's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The increase of \$82 million in construction in progress is due to the construction of the CWRP which is substantially complete as of the end of fiscal year 2010. Of the \$291 million in construction in progress at September 30, 2010, \$266.4 million is related to the construction of the CWRP and the new lift stations and transmission lines necessary to divert the wastewater flow from the Main Street Wastewater Treatment Plant (MSWWTP).

The Authority receives grant funds from the Federal Emergency Management Agency (FEMA) for construction of the CWRP. As construction funds are expended, the Authority may submit reimbursement requests to FEMA. The 43.5% decrease in current assets of \$30.5 million is due to the receipt of \$29.4 million in requested FEMA funds. The decrease in other assets of \$28.5 million, or 17%, is mainly due to the decrease in the cash restricted for construction funds.

The Authority experienced an 18% decrease, or \$10.4 million, in current liabilities over fiscal year 2009. Accounts payable for capital improvements decreased \$12 million as construction of the CWRP wound down. This decrease is offset by a \$600 thousand increase in the current portion of long-term debt and an \$800 thousand increase in amounts due to other governments. FEMA conducted an audit of expenditures for Hurricane Ivan which hit Escambia County, Florida September 16, 2004. The audit revealed that the cost of repairs and mitigation were approximately \$800 thousand lower than originally estimated on project worksheets submitted to FEMA in the aftermath of Hurricane Ivan. The Authority must repay FEMA for the ineligible expenses.

Unrestricted Net Assets decreased by 68% or \$27 million. This is due to the \$33.6 million decrease in grants receivable, a \$5.6 million decrease in funds restricted for capital improvements and the \$12 million reduction in accounts payable for capital improvements.

The following Condensed Statements of Revenues, Expenses, and Changes in Net Assets, show the results of operations for the current and the prior two fiscal years:

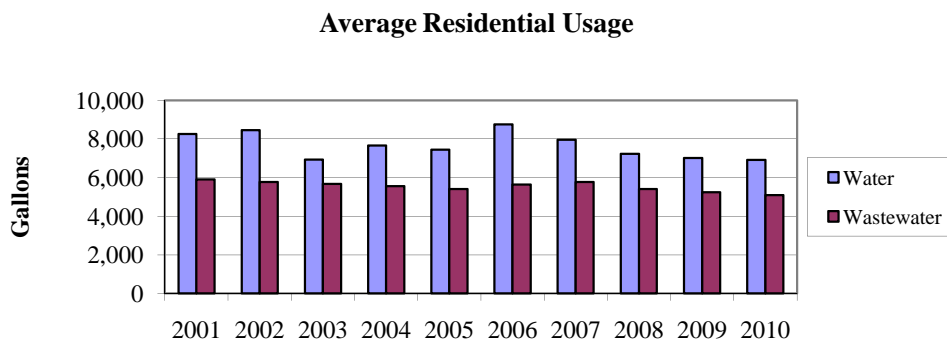
**Condensed Statements of Revenues, Expenses, and Changes in Net Assets**  
**Three-Year Comparison**  
**Year Ended September 30,**

	2010	2009	2008
Revenues:			
Customer charges:			
Wastewater	\$39,211,690	\$36,416,004	\$35,719,850
Water	30,199,110	29,463,410	28,166,047
Sanitation	17,947,986	17,575,034	16,926,519
Total customer charges	87,358,786	83,454,448	80,812,416
Connection charges	232,556	246,311	467,002
Sewer improvement fee	5,917,989	5,923,779	6,096,632
Other	2,265,915	2,577,520	2,870,078
Total operating revenues	95,775,246	92,202,058	90,246,128
Expenses:			
Operating expenses:			
Water & Wastewater	67,245,872	63,297,144	61,644,777
Sanitation	17,380,513	17,121,273	15,666,729
Total operating expenses	84,626,385	80,418,417	77,311,506
Operating income	11,148,861	11,783,641	12,934,622
Non-operating revenue (expenses):			
Investment income	2,297,025	4,054,187	5,131,592
Settlement income	812,795	10,047,361	-
Interest expense	(12,906,621)	(14,102,379)	(9,864,288)
Hurricane diasaster expense, net	-	-	(327,014)
Loss on disposal of assets	(865,485)	(817,547)	(226,308)
Increase in net assets, before contributions	486,575	10,965,263	7,648,604
Capital contributions:			
Cash	18,700,643	133,868,156	15,431,297
Non-cash	2,375,861	577,648	5,564,290
Total capital contributions	21,076,504	134,445,804	20,995,587
Change in net assets	21,563,079	145,411,067	28,644,191
Net assets at beginning of year	471,438,325	326,027,258	297,383,067
Total net assets	\$493,001,404	\$471,438,325	\$326,027,258

Rate increases of 5.93%, 4%, and 2.7%, in 2010, 2009, and 2008 respectively account for the increase in water and wastewater revenue for the last three years. The water and wastewater customer base each increased by less than 1% from 2009 to 2010. The number of water customers rose by 253 after falling two straight years. Wastewater customers have increased by 167 accounts over the last three years. Customer conservation continued due to the economic downturn. Billed water consumption declined in 2010 after remaining at a constant level from 2008 to 2009. Management believes wastewater revenue for the three years shown above has been affected by the change in the sewer averaging period.

Residential wastewater charges are based on the customer's average water consumption during the winter months. Prior to 2007, the Authority used a three-month average as the basis for the individual's wastewater charge for the succeeding year. In 2007, we began reading residential water meters bi-monthly so the averaging period was switched to a four-month period. The averaging period was changed to a two-month period for the 2008 and 2009 averaging cycle. With the completion of the project to install automated meter reading (AMR) devices on the water meters, we returned to reading residential meters monthly for the 2010 fiscal year and resumed the three-month sewer averaging period. The use of a two-month sewer averaging period has shown that usage by customers has been reduced because of the shorter time period. Management believes the three-month averaging period is more representative of actual base consumption than the two-month period.

The following chart depicts average residential water usage and wastewater flows over the previous 10 years. Average residential water consumption has decreased each year since 2006. Average residential wastewater flows have decreased for two years in a row.



Fiscal year 2010 was the first full year under the once-per-week sanitation collection system that was implemented in January 2009. Residential rates remained at 2009 levels due to the implementation of the once-per-week collection system, despite disposal rate (tipping fee) increases by Escambia County. The once-per-week system is working well with very few customer complaints. In fiscal year 2010, each residential sanitation customer generated an average of 1.24 tons of waste. This resulted in collection of a total of 73,555 tons of residential solid waste during the fiscal year. This is a reduction of 1,539 tons when compared to 2009. The two primary reasons for the decreased tonnage are the growth of the curbside recycling program and the continued downturn in the economy. While the amount of garbage collected by the Authority decreased, the cost of disposal increased due to tipping fee increases at the Perdido Landfill.

The Authority signed an agreement in January 2009 with Allied Waste to begin servicing 11,000 residential sanitation customers who were previously served by Allied. The same agreement required the Authority to assign its mainland Escambia dumpster accounts to Allied Waste and not re-enter the commercial front-loader dumpster market for the five-year term of the agreement. As a result of the changes to the collection system, the Board approved an 8.4% rate reduction to all Authority sanitation customers. Despite such a large rate reduction, sanitation revenue increased 3.8% over 2008 mainly due to the increase in the customer base.



Residential sanitation rates were increased 2.8% effective January 1, 2008 in response to an increase in disposal fees at the Escambia County-owned landfill and higher operating costs related to fuel. A fuel recovery fee was implemented by the Authority Board, effective March 1, 2008. The fee is fixed on a quarterly basis and is charged as a percentage of the customer's monthly residential sanitation charge. The fee was implemented in response to a flow control ordinance enacted by Escambia County which requires all trash that is collected in the county must be hauled to the Escambia County-owned Perdido Landfill. Prior to this, Authority trucks had used the centrally-located Allied Transfer Station when it was more convenient. The inability to use the transfer station was expected to require the use of an additional 50,000 gallons of fuel per year.

Total Authority operating expenses for 2010 were \$84.6 million, a 5.2% increase over 2009. Fiscal year 2010 water and wastewater operating expenses increased 6.2%, or \$4 million. The increase in depreciation of \$3 million on water and wastewater assets accounted for most of the increase. Other increases include contractual services and utility expenses.

Total Authority operating expenses for 2009 were \$80 million, a 4% increase over 2008. Fiscal year 2009 water and wastewater operating expenses increased 2%, or \$1.6 million. The increase in depreciation of \$1.1 million on water and wastewater assets accounted for most of the increase. Other increases include personnel costs and utility expenses.

In fiscal year 2010, sanitation operating expenses increased 1.5% or \$259 thousand. Increases in the costs for supplies, repairs and maintenance, tipping fees and depreciation were offset by decreases in personnel costs and professional services. The 9.2% increase in sanitation operating expenses of \$1.5 million from 2008 to 2009 is a result of expanding residential sanitation service into the north end of Escambia County.

Non-cash contributions, which had been declining for two years due to the decrease in construction in Escambia County, rose 311% from \$577 thousand in 2009 to \$2 million in 2010. The utility system contributions are primarily residential and have been completed in accordance with plans and specifications approved by the Authority. These contributions are not budgeted, as they are generally non-cash, of limited relevance to rate setting, and the timing is not subject to the Authority control.

## **Capital Assets**

During fiscal year 2010, the Authority spent \$103 million on construction projects including \$82 million on the CWRF, \$9 million to expand and upgrade the gravity sewer system, \$3 million to upgrade water lines and maintain wells and water tanks, \$2.3 million on replacement vehicles, and \$2 million on the Pensacola Beach Wastewater Treatment Plant.

In 2009, approximately \$184.5 million was expended on construction-in-progress. Significant capital investments in construction projects included \$146 million for the CWRF, \$11 million to construct or upgrade wells and water lines, \$10 million for sewer system expansion and line replacement, and \$7 million to complete the AMR device installation project.

During fiscal year 2008, the Authority spent \$69 million on capital improvement projects. Significant projects included \$19 million for the CWRF, \$10 million for the AMR device installation project, \$9.5 million for the NAS Pensacola sewer system connection, \$9 million for sewer system expansion and line replacement, \$8 million to construct or upgrade wells and water lines, and \$4.4 million to upgrade lift stations.

See Note 4 in the Notes to the Financial Statements section for additional information on the Authority's capital assets.

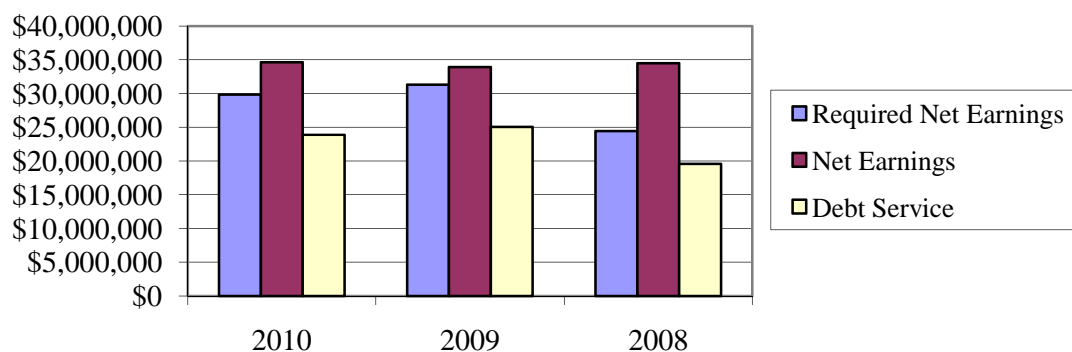
## Debt Administration

The Authority received a \$20 million loan from the State of Florida Department of Environmental Protection Revolving Loan Fund (SRF) to finance the construction of the CWRF. The Authority did not issue any new debt during fiscal year 2009. In 2008, the Authority issued \$130 million in utility system revenue notes and received approximately \$8.4 million in loans from the SRF for the CWRF construction. Debt incurred under the State of Florida Revolving Loan program, outstanding at the end of fiscal year 2010, amounted to \$41.3 million. As of September 30, 2010, the Authority had outstanding revenue note and bonds in the amount of \$285 million. The Authority also entered into \$17 million in capital leases in 2008 to fund the AMR device installation program and replace several residential sanitation vehicles. As of September 30, 2010, the Authority had outstanding lease purchase obligations in the amount of \$13.7 million. Additional information on the Authority's long-term debt can be found in Note 6 in the Notes to the Financial Statements section.

In the bond resolution, the Authority covenants that it will fix, establish, and revise from time to time whenever necessary, maintain and collect always such fees, rates, rentals, and other charges for the use of the product, services and facilities of the System which will always provide gross revenues in each year sufficient to pay 100% of all costs of operation and maintenance of the system, and 125% of the bond service requirement due in each year on all outstanding bonds. The rate covenant in the bond resolution obligates the Authority to review rates annually and to revise such rates and charges as necessary to meet the coverage test and to pay 100% of all costs of operations and maintenance of the System during that fiscal year.

Even with the downward spiraling economy, the Authority has maintained higher debt service coverage than mandated. Debt service coverage for 2010 and 2009 was 145% and 135%, respectively, both of which exceeded the debt service covenants requirement of 125%. The Authority believes the ratio is appropriate for the degree of risk in the organization, and it is clear evidence of the strength of its equity. The following table presents the required net earnings as defined by the bond covenants, actual net earnings available for debt service, and total annual debt service. Additional debt service coverage is shown in the statistical section of this report.

**Net Earnings Available for Debt Service**



## **Economic Factors and Next Year's Budget and Rates**

Previous engineering studies have pointed out the need to address the Authority's aging infrastructure. Due to the economic downturn of the last two years, Authority personnel have joined together to cut expenditures and defer capital spending when possible. The Authority is well aware of the need to maintain commodity charges at appropriate levels to maintain the financial integrity of the water, wastewater and sanitation systems. As such, the fiscal year 2011 budget adopted by the Board includes water and wastewater rate adjustments of 8%, and 2% for sanitation. The rate increase also provides funding for a bond issue to fund \$30.5 million in water and wastewater construction projects.

The Water and Wastewater operating budget expenses reflect an increase of 4.58%. The increase includes funding to operate the MSWWTP for a portion of 2011. Without this funding, the increase is only 1.21%. The increase provides funding for the increase in the Florida Retirement System rate, the cost of operating three major new lift stations and other minor costs increases.

The Sanitation operating budget expenses reflect an increase of 8.25% to provide funding for the expanded recycling program and the household hazardous waste pickup program, both of which were implemented in fiscal year 2010.

## **Requests for Information**

This financial report is designed to provide the Authority's ratepayers and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Emerald Coast Utilities Authority, Director of Finance, PO Box 15311, Pensacola, FL 32514-0311, or e-mail [dbuckley@ecua.org](mailto:dbuckley@ecua.org).

## **BASIC FINANCIAL STATEMENTS**

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**EMERALD COAST UTILITIES AUTHORITY  
COMPARATIVE BALANCE SHEETS  
SEPTEMBER 30, 2010 AND 2009**

**ASSETS**

	<u>2010</u>	<u>2009</u>
<b>Current Assets:</b>		
Unrestricted assets -		
Cash and investments ( <i>note 2</i> )	\$ 6,489,885	\$ 4,783,359
Accounts receivable less allowance for doubtful accounts of \$960,500 and \$1,022,900 in 2010 and 2009, respectively	13,772,554	12,896,163
Grants receivable	640,216	34,269,416
Materials and supplies ( <i>note 1</i> )	3,351,802	3,052,842
Prepaid expenses	92,683	125,435
Restricted assets -		
Restricted by debt agreements - Sinking fund	11,338,903	11,072,872
Customer deposits	3,957,772	3,915,624
	<u>39,643,815</u>	<u>70,115,711</u>
Total current assets		
<b>Noncurrent Assets:</b>		
Restricted assets -		
Restricted by debt agreements -		
Renewal and replacement fund	6,904,613	6,032,344
Operating and maintenance fund	5,241,075	5,338,311
Construction fund	82,452,755	106,979,434
Forward supply agreement	18,902,979	17,362,070
Impact fees	2,213,636	2,435,007
Capital improvement program	5,630,826	11,265,091
Sewer improvement fees	6,935,442	7,195,786
Self-insurance funds ( <i>note 13</i> )	4,997,116	4,997,116
Total noncurrent restricted assets	<u>133,278,442</u>	<u>161,605,159</u>
Capital assets -		
Utility plant in service	580,636,342	558,650,266
Construction work in progress	290,746,312	208,970,244
Intangible assets	14,996,954	14,996,954
	<u>886,379,608</u>	<u>782,617,464</u>
Less accumulated depreciation and amortization	192,012,319	170,731,740
Total capital assets ( <i>notes 1 and 4</i> )	<u>694,367,289</u>	<u>611,885,724</u>
Unamortized debt issuance costs (net of accumulated amortization of \$2,474,148 and \$2,237,912 in 2010 and 2009, respectively) ( <i>note 1</i> )	2,400,168	2,636,404
	<u>830,045,899</u>	<u>776,127,287</u>
Total noncurrent assets		
<b>Total Assets</b>	<u><u>\$ 869,689,714</u></u>	<u><u>\$ 846,242,998</u></u>

## LIABILITIES AND NET ASSETS

	2010	2009
<b>Current Liabilities (Payable From Current Assets):</b>		
Accounts payable	\$ 3,046,261	\$ 2,853,204
Due to other governments	1,172,425	356,063
Payroll and compensated absences payable ( <i>note 1</i> )	2,931,766	2,729,688
Other current liabilities	17,982	17,905
	<hr/>	<hr/>
Total current liabilities (payable from current assets)	7,168,434	5,956,860
	<hr/>	<hr/>
<b>Current Liabilities (Payable From Restricted Assets):</b>		
Current portion of long-term debt ( <i>notes 1 and 6</i> )	12,031,638	11,444,327
Accrued interest payable	3,629,497	3,864,825
Accounts payable - capital improvements	19,566,502	31,846,364
Customer deposits	3,957,772	3,936,925
Claims liabilities ( <i>note 13</i> )	1,164,601	900,128
	<hr/>	<hr/>
Total current liabilities (payable from restricted assets)	40,350,010	51,992,569
	<hr/>	<hr/>
Total current liabilities	47,518,444	57,949,429
	<hr/>	<hr/>
<b>Long-Term Liabilities:</b>		
Long-term debt ( <i>notes 1 and 6</i> )	325,684,759	314,303,601
Long-term compensated absences and benefits payable ( <i>notes 1 and 12</i> )	3,165,579	2,232,115
Deferred capital contributions ( <i>note 1</i> )	319,528	319,528
	<hr/>	<hr/>
Total long-term liabilities	329,169,866	316,855,244
	<hr/>	<hr/>
Total liabilities	376,688,310	374,804,673
	<hr/>	<hr/>
<b>Net Assets:</b>		
Invested in capital assets, net of related debt	435,474,150	389,252,405
Restricted for debt service and other bond requirements ( <i>note 1</i> )	42,387,570	39,805,597
Restricted for expansion of utility plant ( <i>note 1</i> )	2,213,636	2,435,007
Unrestricted	12,926,048	39,945,316
	<hr/>	<hr/>
Total net assets	493,001,404	471,438,325
	<hr/>	<hr/>
<b>Commitments and Contingencies</b> ( <i>note 14</i> )	--	--
	<hr/>	<hr/>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 869,689,714</u></u>	<u><u>\$ 846,242,998</u></u>

**EMERALD COAST UTILITIES AUTHORITY**  
**COMPARATIVE STATEMENTS OF REVENUE, EXPENSES AND**  
**CHANGES IN NET ASSETS**  
**YEARS ENDED SEPTEMBER 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
<b>Operating Revenue:</b>		
Customer charges -		
Wastewater	\$ 39,211,690	\$ 36,416,004
Water	30,199,110	29,463,410
Sanitation	17,947,986	17,575,034
Connection charges	232,556	246,311
Sewer improvement fees	5,917,989	5,923,779
Other	<u>2,265,915</u>	<u>2,577,520</u>
 Total operating revenue	 <u>95,775,246</u>	 <u>92,202,058</u>
<b>Operating Expenses Before Depreciation and Amortization:</b>		
Personal services	34,573,672	34,778,721
Contractual services	3,061,248	2,253,532
Professional services	739,686	845,239
Supplies	6,023,004	6,141,679
Repairs and maintenance	3,458,930	3,119,385
Heat, light and power	6,652,523	6,389,596
Tipping fees	3,774,238	3,651,319
Other	<u>3,592,195</u>	<u>3,898,860</u>
 Total operating expenses before depreciation and amortization	 <u>61,875,496</u>	 <u>61,078,331</u>
<b>Operating Income Before Depreciation and Amortization</b>	<b>33,899,750</b>	<b>31,123,727</b>
<b>Depreciation and Amortization</b>	<b><u>22,750,889</u></b>	<b><u>19,340,086</u></b>
 Operating income	 <u>11,148,861</u>	 <u>11,783,641</u>
<b>Nonoperating Revenue (Expenses):</b>		
Investment income	2,297,025	4,054,187
Settlement income	812,795	10,047,361
Interest expense	(12,906,621)	(14,102,379)
Loss on disposal of assets	<u>(865,485)</u>	<u>(817,547)</u>
 Total nonoperating revenue (expenses)	 <u>(10,662,286)</u>	 <u>(818,378)</u>
<b>Income Before Capital Contributions</b>	<b>486,575</b>	<b>10,965,263</b>
 Capital contributions - cash (note 8)	 18,700,643	 133,868,156
Capital contributions - noncash (note 8)	<u>2,375,861</u>	<u>577,648</u>
 <b>Change in Net Assets</b>	 <b>21,563,079</b>	 <b>145,411,067</b>
 <b>Net Assets at Beginning of Year</b>	 <u>471,438,325</u>	 <u>326,027,258</u>
 <b>Net Assets at End of Year</b>	 <u><u>\$ 493,001,404</u></u>	 <u><u>\$ 471,438,325</u></u>



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**EMERALD COAST UTILITIES AUTHORITY  
COMPARATIVE STATEMENTS OF CASH FLOWS  
YEARS ENDED SEPTEMBER 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
<b>Cash Flows From Operating Activities:</b>		
Cash received from customers and others	\$ 98,400,299	\$ 103,617,266
Cash paid to suppliers for goods and services	(41,105,547)	(39,455,666)
Cash paid to employees for services	(21,934,664)	(22,266,536)
Net cash provided by operating activities	<u>35,360,088</u>	<u>41,895,064</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>		
Acquisition and construction of capital assets	(116,143,111)	(178,744,914)
Proceeds from issuance of long-term debt	22,266,883	-
Principal paid on long-term debt	(11,621,532)	(10,887,876)
Interest paid on long-term debt	(11,582,595)	(11,481,364)
Proceeds from sale of assets	141,171	18,271
Contributions from developers, customers and other governments	52,970,059	100,560,794
Net cash used for capital and related financing activities	<u>(63,969,125)</u>	<u>(100,535,089)</u>
<b>Cash Flows From Investing Activities:</b>		
Investment income	(1,013,826)	2,810,685
Purchases of investments	(107,418,738)	(104,038,537)
Proceeds from maturities of investments and notes receivable	145,312,295	7,902,620
Net cash provided by (used for) investing activities	<u>36,879,731</u>	<u>(93,325,232)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>8,270,694</b>	<b>(151,965,257)</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u><b>38,424,464</b></u>	<u><b>190,389,721</b></u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u><b>\$ 46,695,158</b></u></u>	<u><u><b>\$ 38,424,464</b></u></u>

**EMERALD COAST UTILITIES AUTHORITY**  
**COMPARATIVE STATEMENTS OF CASH FLOWS**  
**YEARS ENDED SEPTEMBER 30, 2010 AND 2009**  
**(Continued)**

	<u>2010</u>	<u>2009</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operations:</b>		
Operating income	\$ 11,148,861	\$ 11,783,641
Adjustments to reconcile operating income to net cash provided by operating activities -		
Depreciation and amortization	22,750,889	19,340,086
Settlement income	812,795	10,047,361
Changes in -		
Accounts receivable, net	(1,516,607)	(1,520,203)
Materials and supplies	(298,960)	201,230
Prepaid expenses	32,752	105,965
Accounts payable	193,057	567,444
Due to other governments	816,362	26,250
Payroll and compensated absences payable	202,078	218,587
Other current liabilities	77	(8,510)
Long-term compensated absences payable	933,464	950,019
Customer deposits	20,847	(20,328)
Claims liabilities	264,473	203,522
Net cash provided by operating activities	<u>\$ 35,360,088</u>	<u>\$ 41,895,064</u>
<b>Reconciliation of Cash and Cash Equivalents per Statements of Cash Flows to the Balance Sheets:</b>		
Cash and investments	\$ 6,489,885	\$ 4,783,359
Restricted assets	148,575,117	176,593,655
	<u>155,065,002</u>	<u>181,377,014</u>
Less notes receivable and investments	(108,369,844)	(142,952,550)
Cash and cash equivalents	<u>\$ 46,695,158</u>	<u>\$ 38,424,464</u>
<b>Supplemental Schedule of Noncash Investing, Capital and Financing Activities:</b>		
Property contributed by developers and others (note 8)	\$ 2,375,861	\$ 577,648
Unrealized appreciation in fair value of investments	<u>\$ 3,310,851</u>	<u>\$ 1,243,502</u>

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## **NOTES TO FINANCIAL STATEMENTS**

**EMERALD COAST UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010 AND 2009**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Defining the Reporting Entity:*

The Emerald Coast Utilities Authority (formerly, the Escambia County Utilities Authority) (the “Authority”) was formed pursuant to the provisions of Chapter 81-376 Laws of Florida, Special Acts of 1981 as amended. The Authority is governed by a Board of five members elected from districts located in Escambia County, Florida. The purpose of the Authority as mandated by the Legislature is to acquire, consolidate, manage and operate the water and wastewater systems in Escambia County.

In addition to its water and wastewater utility, the Authority also operates a sanitation collection utility for both residential and commercial services. The Authority has established a policy that the sanitation system be self-supporting.

The Emerald Coast Utilities Authority is an independent special district as defined by Section 218.31, Florida Statutes and is not included for financial reporting purposes as a component unit of Escambia County or the City of Pensacola, Florida. There are no organizations that should be considered for inclusion as component units in the Authority’s financial statements.

*Fund Accounting:*

The Authority is accounted for as an Enterprise Fund. Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. As allowed by the Governmental Accounting Standards Board (“GASB”), the Authority has elected not to adopt Statements and Interpretations of the Financial Accounting Standards Board issued after November 30, 1989.

*Basis of Accounting:*

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The Authority is accounted for using the accrual basis of accounting. Revenues are recognized when they are earned, and related expenses are recognized when they are incurred.

**EMERALD COAST UTILITIES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010 AND 2009**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Financial Statement Presentation:*

The Authority has adopted the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Statement 34 establishes standards for external financial reporting for all state and local governmental entities which includes a Management's Discussion and Analysis section, a balance sheet, a statement of revenues, expenses, and changes in net assets and a statement of cash flows. It requires the classification of net assets into three components: invested in capital assets, net of related debt; restricted; and unrestricted.

*Estimates:*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

*General Budget Policies:*

The Board approves total budget appropriations only. The Executive Director is authorized to transfer budget amounts between departmental and object codes. However, any revisions that alter the total appropriations must be approved by the Board. Therefore, the level of budgetary responsibility is by total appropriations; however, for report purposes, this level has been expanded to an object code basis (personal services, contractual services, professional services, etc.). All appropriations lapse at year end.

Formal budgetary integration is employed as a management device during the year.

*Budgetary Basis of Accounting:*

The budget is prepared on a basis that differs significantly from generally accepted accounting principles. The primary differences are as follows:

- 1) The budget does not include a provision for depreciation expense or amortization of debt issuance costs.
- 2) The budget includes provisions for capital outlay and debt retirement which are not included in the results of operations under generally accepted accounting principles.

The budget amounts shown in the financial statements are the final authorized amounts as amended during the year.

**EMERALD COAST UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010 AND 2009**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Cash and Cash Equivalents:*

For purposes of the statements of cash flows, the Authority considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

*Materials and Supplies:*

Materials and supplies are recorded at the lower of average cost or market.

*Restricted Assets:*

Assets required to be segregated pursuant to the revenue bond resolutions, by state law, or by Board designation are identified as restricted assets.

*Investments:*

Investments are stated at fair value.

*Capital Assets:*

The Authority capitalizes property with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year.

Property acquired through purchase or internal construction is stated at cost. Property contributed by customers and developers is recorded at its fair value at the date received as estimated by engineers. The utility plant is depreciated using the composite straight-line method over the estimated useful lives of the assets. Estimated useful lives are generally as follows:

Buildings	20 to 40 years
Improvements	20 to 40 years
Equipment	5 to 10 years

*Capitalization of Interest:*

The Authority capitalizes interest on all major construction projects. All other interest is charged to operations as incurred.

*Intangible Assets:*

Intangible assets are amounts paid for solid waste collection rights within unincorporated areas of Escambia County. The amounts are being amortized over 30 years using the straight-line method.



**EMERALD COAST UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010 AND 2009**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Debt Issuance Costs:*

Debt issuance costs are amortized over the estimated life of the issue using the straight-line method.

*Long-Term Debt/Capital Appreciation Bonds:*

Capital appreciation bonds are recorded at their issuance price plus accretion. The difference between the issuance price and the maturity value of the capital appreciation bonds is recognized as accretion over the life of the bonds using the interest method.

*Accumulated Compensated Absences:*

It is the Authority's policy to permit employees to accumulate a limited amount of earned but unused annual leave. Accordingly, the Authority records an accrual for earned but unused annual leave in accordance with GASB Statement No. 16 *Accounting for Compensated Absences*.

*Net Assets:*

Equity is classified as net assets and is further classified in the following components:

*Invested in capital assets, net of related debt* - Consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction or improvement of those assets. Debt related to unspent proceeds or other restricted cash and investments is excluded from the determination.

*Restricted for debt service and other bond requirements* - Consists of net assets with constraints placed on their use by revenue bond resolution.

*Restricted for expansion of utility plant* - Consists of impact fees received and to be used only for expansion of the utility plant.

*Unrestricted* - Consists of all other net assets not included in the above categories.

*Restricted and Unrestricted Resources:*

When an expense is incurred for purposes for which both restricted and unrestricted resources are available, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

**EMERALD COAST UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010 AND 2009**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Operating Revenues and Expenses:*

Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority are customer charges for water, wastewater and sanitation services. Operating expenses include the cost of providing utility services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

*Revenue and Deferred Revenue:*

The Authority bills customers for water, wastewater and sanitation services monthly on a cycle basis. Unbilled revenue between the end of the cycle and the end of the month is accrued. Connection charges are based on actual costs and, accordingly, are recorded as revenue. Connection charges collected in advance are recorded as deferred revenue.

*Capital Contributions and Deferred Capital Contributions:*

Capital contributions are recognized in the statements of revenues, expenses and changes in net assets when earned, and include impact fees, construction grants and property received from customers and developers. Construction grants and impact fees received in advance are recorded as deferred capital contributions.

**NOTE 2 - CASH AND INVESTMENTS**

The investment of surplus funds and restricted reserve funds is governed by the Authority's investment policy under the provisions of Section 218.415, Florida Statutes. Investments authorized by the Authority's investment policy and state statute include intergovernmental investment pools, money market funds, including money market mutual funds, interest bearing time deposits or savings accounts in qualified public depositories, direct obligations of the U.S. Treasury and U.S. agencies and instrumentalities, and other investments authorized by law or by resolution for a special district.

Chapter 280, Florida Statutes, provides that deposits must be placed in a depository designated under the provisions of Chapter 136 and the regulations of the Department of Banking and Finance as a qualified public depository. As such, these deposits are considered to be fully insured.

**EMERALD COAST UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010 AND 2009**

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

*Deposits:*

The Authority's deposits at September 30, 2010 and 2009 were entirely covered by federal depository insurance or pooled collateral held by the State Treasurer under the provisions of Chapter 280, Florida Statutes. At September 30, 2010 and 2009, the carrying amount of the deposits was \$46,694,937 and \$38,424,464, respectively, and the bank balance was \$46,790,143 and \$38,234,960, respectively.

*Investments:*

As of September 30, 2010, the Authority had the following investments:

	Maturities	2010	2009
U.S. Treasury Securities	November 2014	\$ 18,902,979	\$ 18,860,742
Local Government Surplus Funds Trust Fund	Average of 52 days	12,133,589	24,814,544
Fund B Surplus Funds Trust Fund	Average of 7.49 years	949,329	1,227,264
U.S. Government Agency Securities	Average of 105 days	57,327,773	46,783,771
Mortgage-Backed Securities	Average of 89 days	19,055,995	51,265,496
		<u>\$ 108,369,665</u>	<u>\$ 142,951,817</u>

*Interest Rate Risk:*

The Authority does not have a provision within its investment policy that sets forth specific limits on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk:*

In November 2007, the State Board of Administration ("SBA") implemented a temporary freeze on assets held in the Local Government Surplus Funds Trust Fund Investment Pool ("Pool") due to an unprecedented amount of withdrawals from the Pool coupled with the absence of market liquidity for certain securities within the Pool. The significant amount of withdrawals followed reports that the Pool held asset-backed commercial paper that was subject to sub-prime mortgage risk. In December 2007, based on recommendations from an outside financial advisor, the SBA restructured the Pool into two separate pools. The Local Government Surplus Funds Trust Fund ("LGIP") consisted of all money market appropriate assets, which was approximately \$12 billion or 86% of Pool assets. Fund B Surplus Funds Trust Fund ("Fund B") consisted of assets that either defaulted on a payment, paid more slowly than expected, and/or had any significant credit and liquidity risk, which was approximately \$2 billion or 14% of Pool assets. At the time of restructuring, pool participants had their balances proportionately allocated into the LGIP and Fund B.

**EMERALD COAST UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010 AND 2009**

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

*Credit Risk (Continued):*

The Authority's investment policy limits its investments in money market mutual funds to the highest credit quality rating from a nationally recognized rating agency. Standard and Poor's Ratings Services assigned its "AAAm" principal stability fund rating to the LGIP as of September 30, 2010. The LGIP is an external 2a7-like investment pool, in which the fair value of the Authority's position in the pool is the same as the value of the pool shares. Fund B is a fluctuating net asset value ("NAV") pool, and the fair value factor applied to the cost of investments in Fund B was .707058094 as of September 30, 2010. Fund B was not rated by a nationally recognized statistical rating agency as of September 30, 2010.

Participants cannot make additional deposits into, or any withdrawals from, Fund B. Participants in Fund B will receive periodic distributions to the extent that Fund B receives proceeds deemed material by the SBA from (1) the natural maturities of securities, coupon interest collections, or collateral interest and principal paydowns; or (2) the sale of securities, collateral liquidation, or other restructure and workout activities undertaken.

Additional information regarding the Local Government Surplus Funds Trust Fund may be obtained from the State Board of Administration.

**NOTE 3 - RESTRICTED ASSETS**

Restricted assets consisted of the following:

	<u>2010</u>	<u>2009</u>
Cash and investments	\$ 148,574,938	\$ 176,592,922
Impact fees notes receivable	<u>179</u>	<u>733</u>
	<u>\$ 148,575,117</u>	<u>\$ 176,593,655</u>

**EMERALD COAST UTILITIES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010 AND 2009**

**NOTE 4 - CAPITAL ASSETS**

Capital assets activity during the year was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
<b><u>Cost</u></b>					
Depreciable:					
Buildings and building improvements	\$ 8,210,249	\$ 49,535	\$	\$	\$ 8,259,784
Improvements other than buildings	467,064,940	11,245,737	(1,391,699)	9,743,618	486,662,596
Improvements under capital lease	15,537,673				15,537,673
Equipment	42,192,656	3,030,067	(1,085,268)		44,137,455
Equipment under capital lease	1,683,752				1,683,752
Intangible assets	14,996,954				14,996,954
Nondepreciable:					
Land	23,960,996	394,086			24,355,082
Construction in progress	208,970,244	91,519,686		(9,743,618)	290,746,312
Total	<u>782,617,464</u>	<u>106,239,111</u>	<u>(2,476,967)</u>	<u>-</u>	<u>886,379,608</u>
<b><u>Less Accumulated Depreciation and Amortization</u></b>					
Buildings and building improvements	2,663,705	248,781			2,912,486
Improvements other than buildings	133,140,874	16,989,229	(406,342)		149,723,761
Improvements under capital lease	-	1,500,044			1,500,044
Equipment	26,095,820	3,299,514	(1,063,968)		28,331,366
Equipment under capital lease	375,378	210,168			585,546
Intangible assets	8,455,963	503,153			8,959,116
Total	<u>170,731,740</u>	<u>22,750,889</u>	<u>(1,470,310)</u>	<u>-</u>	<u>192,012,319</u>
	<u>\$ 611,885,724</u>	<u>\$ 83,488,222</u>	<u>\$ (1,006,657)</u>	<u>\$ -</u>	<u>\$ 694,367,289</u>

Of the above amount classified as improvements other than buildings, approximately \$7,900,000 is the cost of the Warrington and Perdido Bay Wastewater Treatment Plants, which have been closed and are operating as lift stations. Certain components of these plants have been transferred to other sections of capital assets.

**EMERALD COAST UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010 AND 2009**

**NOTE 4 - CAPITAL ASSETS (Continued)**

Of the above amount classified as land, approximately \$16,825,000 was acquired in connection with the relocation of the Main Street Wastewater Treatment Plan. The new plant was still under construction at September 30, 2010 and therefore was not being utilized in operations. The remainder of costs incurred for the relocation project are included in construction in progress.

**NOTE 5 - CAPITALIZED INTEREST**

Total interest costs incurred for the years ended September 30, 2010 and 2009 amounted to \$16,632,684 and \$16,847,347, respectively. Of these amounts, \$3,726,063 and \$2,692,291 were capitalized in the respective years as part of the cost of the utility plant.

**NOTE 6 - LONG-TERM DEBT**

Long-term debt consisted of the following:

	<u>2010</u>	<u>2009</u>
\$42,869,776 Utility System Revenue Bonds, Series 1992B, including \$31,620,000 of current interest bonds and \$11,249,776 of capital appreciation bonds, interest from 3.4% to 6.25%, maturing in annual installments through January 2015, secured by net revenue	<b>\$ 42,869,776</b>	\$ 42,257,158
\$30,790,000 Utility System Revenue Bonds, Series 1998A-C, interest from 3.6% to 5.1%, maturing in annual installments through January 2023, secured by net revenue, \$9,160,000 defeased in December 2006	<b>11,025,000</b>	12,050,000
\$18,200,000 Sanitation System Improvement and Refunding Revenue Bonds, Series 1998, interest form 3.6% to 4.6%, maturing in annual installments through January 2022, secured by net revenue	<b>9,870,000</b>	10,475,000
\$40,010,000 Utility System Refunding Revenue Bonds, Series 1998D, interest from 4% to 5%, maturing in annual installments through January 2011, secured by net revenue	<b>2,200,000</b>	6,470,000
\$10,340,000 Utility System Revenue Bonds, Series 2001, interest from 3.75% to 5.28%, maturing in annual installments through January 2031, secured by net revenue	<b>7,460,000</b>	7,820,000

**EMERALD COAST UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010 AND 2009**

**NOTE 6 - LONG-TERM DEBT (Continued)**

	<u>2010</u>	<u>2009</u>
\$51,897,499 State of Florida Department of Environmental Protection Revolving Loans, interest from 2.17% to 3.27%, maturing through October 2031, secured by net revenue	<b>41,285,145</b>	20,080,754
\$5,845,000 Utility System Refunding Revenue Bonds, Series 2001B, interest from 3% to 5%, maturing in annual installments through January 2022, secured by net revenue	<b>4,085,000</b>	4,335,000
\$23,150,000 Utility System Revenue Bonds, Series 2003, interest from 2% to 5.25%, maturing in annual installments through January 2033, secured by net revenue	<b>20,210,000</b>	20,725,000
\$15,800,000 Utility System Refunding Revenue Bonds, Series 2004, interest from 2% to 4.5%, maturing in annual installments through July 2027, secured by net revenue	<b>13,555,000</b>	14,105,000
\$17,335,000 Utility System Revenue Bonds, Series 2006, interest from 4% to 5.25%, maturing in annual installments through January 2036, secured by net revenue	<b>17,000,000</b>	17,335,000
\$28,660,000 Utility System Refunding Revenue Bonds, Series 2006B, interest from 4% to 5%, maturing in annual installments through January 2029, secured by net revenue	<b>26,995,000</b>	28,310,000
\$130,000,000 Utility System Revenue Note, Series 2008, interest at 4.91%, maturing in annual installments through July 2028, secured by net revenue	<b>129,885,000</b>	130,000,000
\$15,500,000 capital lease, interest at 4.41%, payments due annually through September 2027	<b>13,706,820</b>	14,241,244
\$1,683,752 capital lease, interest at 3.96%, payments due annually through September 2010	-	574,616
Less: Unamortized bond premiums (discounts), net	<b>1,484,181</b>	1,602,604
Deferred loss on refunding	<b>(3,914,525)</b>	(4,633,448)
	<b>337,716,397</b>	325,747,928
Less current maturities	<b>12,031,638</b>	11,444,327
	<b>\$ 325,684,759</b>	<b>\$ 314,303,601</b>

**EMERALD COAST UTILITIES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010 AND 2009**

**NOTE 6 - LONG-TERM DEBT (Continued)**

Capital leases noted in the above schedule are categorized as improvements under capital lease and equipment under capital lease.

Long-term liabilities activity during the year was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds and note	\$ 310,932,068	\$ 22,266,883	\$ (9,189,374)	\$ 324,009,577	\$ 11,473,614
Capital leases	14,815,860		(1,109,040)	13,706,820	558,024
Compensated absences and benefits payable	3,175,054	1,891,113	(880,275)	4,185,892	1,020,313
Deferred capital contributions	319,528			319,528	-
	<u>\$ 329,242,510</u>	<u>\$ 24,157,996</u>	<u>\$ (11,178,689)</u>	<u>\$ 342,221,817</u>	<u>\$ 13,051,951</u>

The annual requirements to amortize long-term debt outstanding at September 30, 2010 are as follows:

Year Ending September 30	Principal	Interest	Total
2011	\$ 12,031,638	\$ 15,203,277	\$ 27,234,915
2012	12,766,058	14,411,719	27,177,777
2013	14,060,066	13,777,846	27,837,912
2014	14,740,260	13,091,830	27,832,090
2015	23,861,304	11,842,637	35,703,941
2016-2020	79,693,256	50,495,249	130,188,505
2021-2025	93,031,826	31,096,999	124,128,825
2026-2030	70,228,431	9,648,571	79,877,002
2031-2035	10,772,417	1,463,858	12,236,275
2036	1,135,000	59,588	1,194,588
	<u>\$ 332,320,256</u>	<u>\$ 161,091,574</u>	<u>\$ 493,411,830</u>



**EMERALD COAST UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010 AND 2009**

**NOTE 6 - LONG-TERM DEBT (Continued)**

There are a number of covenants in the debt agreements. One such covenant requires that the Authority's net revenue each year be equal to at least 125% of annual debt service requirements. Debt service coverage for 2010 and 2009 was 145% and 135%, respectively.

**NOTE 7 - ADVANCE REFUNDINGS OF DEBT**

The Authority has issued refunding revenue bonds to defease certain outstanding bonds for the purpose of consolidation and to achieve debt service coverage savings. The Authority has placed the proceeds from the refunding issues in irrevocable escrow accounts with a trust agent to insure payment of debt service on the refunded bonds.

Accordingly, the trust account assets and the liabilities for the defeased bonds are not included in the Authority's financial statements. Although defeased, the refunded debt from these earlier issues will not be actually retired until the call dates have come due or until maturity if they are not callable issues.

At September 30, 2010, the Authority has \$62,575,000 of bonds outstanding that are considered to be defeased.

**NOTE 8 - CAPITAL CONTRIBUTIONS**

Capital contributions for the years ended September 30, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Capital contributions - cash -		
Impact fees	\$ 2,213,636	\$ 2,435,008
Main Street Wastewater Treatment Plant relocation	15,440,244	127,580,579
Other	<u>1,046,763</u>	<u>3,852,569</u>
	<u>\$ 18,700,643</u>	<u>\$ 133,868,156</u>
Capital contributions - noncash -		
Property contributed by developers and others	<u>\$ 2,375,861</u>	<u>\$ 577,648</u>

Capital contributions include grant funds awarded to the Authority to finance replacement of the Main Street Wastewater Treatment Plant. During the year ended September 30, 2009, the activity related to the new wastewater treatment plant increased significantly as the design phase of the project was completed and construction began.

**EMERALD COAST UTILITIES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010 AND 2009**

**NOTE 9 - SEGMENT INFORMATION**

The Authority has issued revenue bonds to finance capital acquisitions for its water and wastewater department and for its sanitation department. Both departments are accounted for in a single enterprise fund (i.e., the Authority). However, investors in the revenue bonds rely solely on the revenue generated by the individual departments for repayment. Summary financial information by department is presented below:

	<b>2010</b>		<b>2009</b>	
	<u>Water and Wastewater</u>	<u>Sanitation</u>	<u>Water and Wastewater</u>	<u>Sanitation</u>
<b>Condensed Statement of Net Assets</b>				
Assets:				
Current assets	\$ 36,891,213	\$ 2,752,602	\$ 67,474,002	\$ 2,641,709
Noncurrent assets	<u>806,104,656</u>	<u>23,941,243</u>	<u>751,635,136</u>	<u>24,492,151</u>
Total assets	<u>\$ 842,995,869</u>	<u>\$ 26,693,845</u>	<u>\$ 819,109,138</u>	<u>\$ 27,133,860</u>
Liabilities:				
Current liabilities	44,884,746	2,633,698	55,064,725	2,884,704
Long-term liabilities	<u>320,334,102</u>	<u>8,835,764</u>	<u>307,687,153</u>	<u>9,168,091</u>
Total liabilities	<u>365,218,848</u>	<u>11,469,462</u>	<u>362,751,878</u>	<u>12,052,795</u>
Net Assets:				
Invested in capital assets, net of related debt	\$ 423,842,711	\$ 11,631,439	\$ 377,620,123	\$ 11,632,282
Restricted	42,651,624	1,949,582	40,292,223	1,948,381
Unrestricted	<u>11,282,686</u>	<u>1,643,362</u>	<u>38,444,914</u>	<u>1,500,402</u>
Total net assets	<u>477,777,021</u>	<u>15,224,383</u>	<u>456,357,260</u>	<u>15,081,065</u>
Total liabilities and net assets	<u>\$ 842,995,869</u>	<u>\$ 26,693,845</u>	<u>\$ 819,109,138</u>	<u>\$ 27,133,860</u>

**EMERALD COAST UTILITIES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010 AND 2009**

**NOTE 9 - SEGMENT INFORMATION (Continued)**

	<b>2010</b>		<b>2009</b>	
	<u>Water and Wastewater</u>	<u>Sanitation</u>	<u>Water and Wastewater</u>	<u>Sanitation</u>
<b>Condensed Statement of Revenues, Expenses, and Changes in Net Assets</b>				
Operating revenue:				
Customer charges	\$ 69,410,800	\$ 17,947,986	\$ 65,879,414	\$ 17,575,034
Other operating revenue (1)	<u>11,474,296</u>	<u>271,029</u>	<u>11,361,250</u>	<u>274,410</u>
Total operating revenue	<u>80,885,096</u>	<u>18,219,015</u>	<u>77,240,664</u>	<u>17,849,444</u>
Operating expenses:				
Depreciation and amortization	19,921,328	2,829,561	16,756,762	2,583,324
Other operating expenses (1)	<u>47,324,544</u>	<u>17,879,817</u>	<u>46,540,382</u>	<u>17,425,999</u>
Total operating expenses	<u>67,245,872</u>	<u>20,709,378</u>	<u>63,297,144</u>	<u>20,009,323</u>
Operating income (loss)	<u>13,639,224</u>	<u>(2,490,363)</u>	<u>13,943,520</u>	<u>(2,159,879)</u>
Nonoperating revenue (expenses):				
Investment income	2,288,736	8,289	4,014,169	40,018
Interest expense	(12,326,613)	(580,008)	(13,473,057)	(629,322)
Other nonoperating revenue (expenses)	<u>(169,820)</u>	<u>117,130</u>	<u>9,227,336</u>	<u>2,478</u>
Total nonoperating revenue (expenses)	<u>(10,207,697)</u>	<u>(454,589)</u>	<u>(231,552)</u>	<u>(586,826)</u>
Income before capital contributions and transfers	3,431,527	(2,944,952)	13,711,968	(2,746,705)
Capital contributions	21,076,504	-	134,445,804	-
Transfers	<u>(3,088,270)</u>	<u>3,088,270</u>	<u>(2,647,455)</u>	<u>2,647,455</u>
Change in net assets	<u>21,419,761</u>	<u>143,318</u>	<u>145,510,317</u>	<u>(99,250)</u>
Net assets at beginning of year	<u>456,357,260</u>	<u>15,081,065</u>	<u>310,846,943</u>	<u>15,180,315</u>
Net assets at end of year	<u>\$ 477,777,021</u>	<u>\$ 15,224,383</u>	<u>\$ 456,357,260</u>	<u>\$ 15,081,065</u>

(1) – Includes overhead charges between departments that are eliminated in the basic financial statements.

**Condensed Statement of Cash Flows**

Net cash provided by (used for)				
Operating activities	\$ 31,571,465	\$ 3,788,623	\$ 38,222,078	\$ 3,672,986
Capital and related financing activities	(60,747,675)	(3,221,450)	(95,238,237)	(5,296,852)
Investing activities	<u>35,920,008</u>	<u>959,723</u>	<u>(90,569,470)</u>	<u>(2,755,762)</u>
Net increase (decrease)	<u>6,743,798</u>	<u>1,526,896</u>	<u>(147,585,629)</u>	<u>(4,379,628)</u>
Cash and cash equivalents, beginning of year	38,653,637	(229,173)	186,239,266	4,150,455
Cash and cash equivalents, end of year	<u>\$ 45,397,435</u>	<u>\$ 1,297,723</u>	<u>\$ 38,653,637</u>	<u>\$ (229,173)</u>

**EMERALD COAST UTILITIES AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010 AND 2009**

**NOTE 10 - PENSION PLANS**

*Florida Retirement System:*

Authority employees hired before January 1, 1996 and all employees hired after September 30, 2007 are covered by the Florida Retirement System ("System"), a non-contributory, multiple-employer, cost-sharing public employee retirement system. Employees who retire with 30 years of credited service or at age 62 with 6 years of credited service are entitled to a benefit, payable monthly for life, equal to 1.6 percent of their average final compensation for each year of credited service. Average final compensation is the employee's average salary for the five highest years of salary earned during covered employment. Benefits fully vest on reaching 6 years of credited service. Vested employees may retire before age 62 or 30 years of credited service and receive reduced retirement benefits. The System also provides death and disability benefits. Benefits are established by Chapter 121, Florida Statutes.

A Deferred Retired Option Program ("DROP") has been established under Chapter 121, Florida Statutes. It permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payment while continuing employment with the Authority. An employee may participate in the DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the Florida Retirement System Trust Fund and accrue interest.

The Authority is required by State statute to make contributions to the System equal to a certain percent of covered employees' salaries. The percentages at September 30, 2010 were 10.77% for regular participants, 14.57% for senior management, 18.64% for elected officials, and 12.25% for DROP participants. Contributions for the years ended September 30, 2010, 2009, and 2008 were \$2,383,945, \$2,271,836, and \$2,162,340, respectively, equal to the required contribution for each year.

The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Florida Division of Retirement, 2639 N. Monroe Street, Building C, Tallahassee, Florida 32399 or calling 1-850-488-6491.

*Retirement Plan and Trust for the General Employees:*

The Authority also sponsors a defined contribution retirement plan covering Authority employees hired after December 31, 1995 and before October 1, 2007 who elected to continue participation in the plan. The Authority established the defined contribution retirement plan to cover substantially all Authority employees hired subsequent to December 31, 1995. Effective October 1, 2007, employees who are eligible to participate in the Authority's defined contribution retirement plan could elect to transfer their participation from the Authority's plan to the Florida Retirement System. Under the Authority's Plan, which is administered by the Florida League of Cities, Inc., the Authority contributes 8 percent of the employees' gross salaries. The Plan does not allow for employee contributions. An employee becomes fully vested after six years of employment. The Authority contributed a total of \$56,062 and \$61,545 for the years ended September 30, 2010 and 2009, respectively, equal to the required contribution for each year.

**EMERALD COAST UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010 AND 2009**

**NOTE 11 - DEFERRED COMPENSATION PLAN**

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all Authority employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. As required by Internal Revenue Code Section 457, all assets are held in trust for the exclusive benefit of the participants.

**NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS**

The Authority has implemented GASB Statement No. 45, *Accounting and Financial Reported by Employers for Postemployment Benefits Other Than Pensions*. This statement sets forth rules for how governmental employers should account for Other Postemployment Benefits ("OPEB").

Prior to the implementation of Statement No. 45, the costs of the Authority OPEB have been reflected in the financial statements on a pay-as-you-go basis of accounting where the subsidy provided by the Authority, as described below, has been recorded as an expense only after employees retire, and then only one year at a time as the subsidy is paid. Statement No. 45 views the subsidy for retiree medical benefits as a form of compensation which must be accrued on the books of the Authority during an employee's working life, rather than waiting until the employee's service has been completed and he or she has retired.

*Plan Description:*

The Authority's retirees and their dependents are permitted to remain covered under the Authority's respective medical plans as long as they pay a full premium applicable to coverage elected. This conforms to the minimum required of Florida governmental employers per Chapter 112.0801, Florida Statutes.

Retirees are required to pay the full amount of the insurance company's stated premium in order to remain covered under the medical plan; however, the premiums charged are based on a blending of the experience among younger active employees and older retired employees. Since older retirees generally have higher costs, this means that the Authority is actually subsidizing the cost of the retiree and dependent coverage because it pays all or a significant portion of that premium on behalf of the active employees. This practice is categorized as an "implicit rate subsidy". The Authority has assumed an obligation to pay for the implicit subsidy for the covered lifetimes of the current retirees and their dependents, as well for the covered lifetimes of the current employees after they retire in the future.

Since this OPEB is directly tied to insurance coverage for active employees, a separate benefit plan has not been established to account for the benefits and obligations related to the implicit rate subsidy. Accordingly, a separate audited report is not prepared.

**EMERALD COAST UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010 AND 2009**

**NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS (Continued)**

*Funding Policy:*

There is no separate trust through which benefits for retirees are funded. No assets are currently accumulated or earmarked for this purposes. All approved benefits are paid through insurance premiums from the Authority's general assets when due.

In order to begin and maintain retiree medical/prescription coverage, premium payments are required from the retiree. For dependent coverage, the retiree is required to pay a premium as well. If any required amounts are not paid timely, the coverage for the retiree and/or the dependent(s) will cease. The amount of the premium required for retiree and dependent coverage may change each plan year.

*Annual OPEB Cost and Net OPEB Obligation:*

The Authority's annual OPEB cost is calculated based on the actuarially determined annual required contribution ("ARC") of the employer. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The net OPEB obligation is included within long-term compensated absences and benefits payable on the balance sheets. The following table shows the components of the Authority's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Authority's net OPEB obligation:

	<u>2010</u>	<u>2009</u>
Normal cost (service cost for one year)	\$ 671,381	\$ 671,381
Amortization of unfunded actuarial accrued liability	428,678	412,191
Interest on normal cost and amortization	<u>34,155</u>	<u>9,623</u>
Annual required contribution (ARC)	<u><u>\$ 1,134,214</u></u>	<u><u>\$ 1,093,195</u></u>
Net OPEB obligation at beginning of year	<u>\$ 911,702</u>	<u>\$ -</u>
Annual required contribution (ARC)	1,134,214	1,093,195
Interest on net OPEB obligation	32,821	-
Adjustment to ARC	<u>(28,723)</u>	<u>-</u>
Annual OPEB cost (expense)	<u>1,138,312</u>	<u>1,093,195</u>
Employer contributions made	<u>(222,933)</u>	<u>(181,493)</u>
Increase in net OPEB obligation	<u><u>915,379</u></u>	<u><u>911,702</u></u>
Net OPEB obligation at end of year	<u><u>\$ 1,827,081</u></u>	<u><u>\$ 911,702</u></u>

**EMERALD COAST UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010 AND 2009**

**NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS (Continued)**

*Annual OPEB Cost and Net OPEB Obligation (continued):*

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed, and the net OPEB obligation for 2010 and 2009 was as follows:

	<u>2010</u>	<u>2009</u>
Annual OPEB Cost	\$ 1,138,312	\$ 1,093,195
Amount Contributed	\$ 222,933	\$ 181,493
Percentage of OPEB Cost Contributed	19.6%	16.6%
Net OPEB Obligation	\$ 1,827,081	\$ 911,702

*Funded Status:*

As of July 1, 2008, the most recent actuarial valuation date, the OPEB funding progress was as follows:

Actuarial Accrued Liability (AAL) - Entry Age	\$ 12,854,310
Actuarial Value of Assets	<u>-</u>
Unfunded AAL (UAAL)	<u><u>\$ 12,854,310</u></u>
Funded Ratio	0%
Covered Payroll	\$ 21,892,157
UAAL as a Percentage of Covered Payroll	58.72%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future, such as assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

**EMERALD COAST UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010 AND 2009**

**NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS (Continued)**

*Actuarial Methods and Assumptions:*

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following actuarial information was used:

	<u>2010</u>	<u>2009</u>
Contribution rate	<b>1.0%</b>	0.8%
Annual OPEB cost	\$ <b>1,138,312</b>	\$ 1,093,195
Contributions made	\$ <b>222,933</b>	\$ 181,493
Actuarial cost method	<b>Entry Age</b>	Entry Age
Amortization method	<b>Level percent, closed</b>	Level percent, closed
Remaining amortization period	<b>29 years</b>	30 years
Asset valuation method	<b>Unfunded</b>	Unfunded
Actuarial assumptions:		
Investment rate of return *	<b>3.6%</b>	3.6%
Projected salary increases *	<b>4.5% - 9.75%</b>	4.5% - 9.75%
Payroll growth assumptions	<b>4%</b>	4%
Initial trend rate	<b>9%</b>	9%
Ultimate trend rate	<b>5%</b>	5%
* Includes general price inflation at	<b>3%</b>	3%



**EMERALD COAST UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010 AND 2009**

**NOTE 13 - RISK MANAGEMENT**

The Authority has established a self-insurance program to cover its risk of loss related to general liabilities and workers' compensation claims. The Authority purchases excess insurance coverage for workers' compensation claims with a \$100,000 deductible in order to protect itself against catastrophic losses. Settled claims have not exceeded this excess coverage in any of the last three fiscal years. Excess insurance coverage is not purchased for general liabilities claims because the sovereign immunity limits of the State of Florida essentially restricts general liabilities claims to \$100,000 per person and \$200,000 per occurrence. General liabilities claims above \$100,000 would have to be approved by the State Legislature.

Claims expenses and liabilities are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used to compute claims liabilities does not necessarily result in an exact amount. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. The Authority does not discount its claims liabilities. Management believes that there are no significant liabilities for claims incurred but not reported at September 30, 2010.

Changes in claims liabilities for the years ended September 30, 2010 and 2009 are shown below:

	<u>2010</u>	<u>2009</u>
Claims liabilities, beginning of year	\$ 900,128	\$ 696,606
Claims incurred and changes in estimates	867,135	1,186,927
Claims paid	<u>(602,662)</u>	<u>(983,405)</u>
Claims liabilities, end of year	<u>\$ 1,164,601</u>	<u>\$ 900,128</u>

At September 30, 2010, the Authority has restricted cash of \$4,997,116 for purposes of funding its claims liabilities.

**NOTE 14 - COMMITMENTS AND CONTINGENCIES**

*Legal Contingencies:*

The Authority is involved in various lawsuits and claims incidental to the normal course of its operations. Management believes that any liability that may ultimately result from the resolution of these matters will not have a material adverse effect on the financial condition or results of operations of the Authority.

**EMERALD COAST UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010 AND 2009**

**NOTE 14 - COMMITMENTS AND CONTINGENCIES (Continued)**

*Legal Contingencies (Continued):*

During the years ended September 30, 2010 and 2009, the Authority received \$812,795 and \$10,047,361, respectively, in connection with a legal settlement agreement with various oil companies related to methyl tertiary butyl ether ("MTBE") contamination of drinking water caused by them within the Authority's service area.

*Construction Commitments:*

The Authority has contractual commitments of approximately \$40 million for construction projects at September 30, 2010.

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## **SUPPLEMENTARY INFORMATION**

The Water and Wastewater System and the Sanitation System do not meet the definition of a “fund” as defined by NCGA Statement 1: Governmental Accounting and Financial Reporting Principles and, therefore, are not funds for financial reporting purposes. Accordingly, combining statements are not presented. The schedules for the above referenced Systems presented on pages 54 through 69 are not required by generally accepted accounting principles.

**EMERALD COAST UTILITIES AUTHORITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
SEPTEMBER 30, 2010**

Federal Agency, Pass-through Entity, Federal Program	Federal CFDA Number	Contract Grant Number	Expenditures
<b>FEDERAL AWARDS</b>			
Department of Homeland Security -			
Public Assistance Grants -			
Hurricane Ivan - 90%	97.036	05-PA-G=-01-27-20-602	\$ 15,033,998
Hurricane Ivan - 5% - State	97.036	05-PA-G=-01-27-20-602	<u>830,455</u>
Total Department of Homeland Security			<u>15,864,453</u>
Environmental Protection Agency -			
Clean Water State Revolving Fund Loan	66.458	N/A	<u>21,834,255</u>
Total Environmental Protection Agency			<u>21,834,255</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u><u>\$ 37,698,708</u></u>

NOTE: The above schedule is prepared on the accrual basis of accounting.

**EMERALD COAST UTILITIES AUTHORITY**  
**SCHEDULE OF REVENUE AND EXPENSES COMPARED TO BUDGET**  
**YEAR ENDED SEPTEMBER 30, 2010**

	Actual (GAAP Basis)	Adjustment to Budgetary Basis	Actual (Budgetary Basis)
<b>Operating Revenue:</b>			
Customer charges -			
Wastewater	\$ 39,211,690	\$	\$ 39,211,690
Water	30,199,110		30,199,110
Sanitation	17,947,986		17,947,986
Connection charges	232,556		232,556
Sewer improvement fees	5,917,989		5,917,989
Other	2,265,915		2,265,915
Total operating revenue	<u>95,775,246</u>	<u>-</u>	<u>95,775,246</u>
<b>Operating Expenses Before Depreciation and Amortization:</b>			
Personal services	34,573,672	(163,761)	34,409,911
Contractual services	3,061,248		3,061,248
Professional services	739,686		739,686
Supplies	6,023,004		6,023,004
Repairs and maintenance	3,458,930		3,458,930
Heat, light and power	6,652,523		6,652,523
Tipping fees	3,774,238		3,774,238
Other	3,592,195		3,592,195
Total operating expenses before depreciation and amortization	<u>61,875,496</u>	<u>(163,761)</u>	<u>61,711,735</u>
<b>Income Before Depreciation and Amortization</b>	33,899,750	163,761	34,063,511
<b>Depreciation and Amortization</b>	<u>22,750,889</u>	<u>(22,750,889)</u>	<u>-</u>
Operating income	<u>11,148,861</u>	<u>22,914,650</u>	<u>34,063,511</u>
<b>Nonoperating Revenue (Expenses):</b>			
Investment income	2,297,025		2,297,025
Settlement income	812,795		812,795
Interest expense	(12,906,621)	(3,726,063)	(16,632,684)
Loss on disposal of assets	(865,485)	982,615	117,130
Total nonoperating revenue (expenses)	<u>(10,662,286)</u>	<u>(2,743,448)</u>	<u>(13,405,734)</u>
<b>Income Before Capital Contributions and Other Financing Sources (Uses)</b>	486,575	20,171,202	20,657,777
Capital contributions - impact fees and other	18,700,643		18,700,643
Capital contributions - noncash	2,375,861	(2,375,861)	-
Principal sinking fund requirements	<u>-</u>	<u>(11,621,532)</u>	<u>(11,621,532)</u>
<b>Change in Net Assets</b>	<u>\$ 21,563,079</u>	<u>\$ 6,173,809</u>	<u>\$ 27,736,888</u>

Budget	Variance- Favorable (Unfavorable)
\$ 39,211,688	\$ 2
30,199,110	-
17,947,983	3
243,000	(10,444)
5,917,988	1
1,949,098	316,817
<u>95,468,867</u>	<u>306,379</u>
35,028,195	618,284
3,179,979	118,731
739,691	5
6,429,696	406,692
3,458,965	35
6,652,532	9
3,774,238	-
<u>3,629,605</u>	<u>37,410</u>
<u>62,892,901</u>	<u>1,181,166</u>
32,575,966	1,487,545
<u>-</u>	<u>-</u>
<u>32,575,966</u>	<u>1,487,545</u>
756,116	1,540,909
812,795	-
(16,632,690)	6
117,130	-
<u>(14,946,649)</u>	<u>1,540,915</u>
17,629,317	3,028,460
9,893,291	8,807,352
-	-
<u>(10,123,229)</u>	<u>(1,498,303)</u>
<u>\$ 17,399,379</u>	<u>\$ 10,337,509</u>

**EMERALD COAST UTILITIES AUTHORITY  
WATER AND WASTEWATER SYSTEM  
COMPARATIVE SCHEDULES OF ASSETS, LIABILITIES AND NET ASSETS  
SEPTEMBER 30, 2010 AND 2009**

**ASSETS**

	<u>2010</u>	<u>2009</u>
<b>Current Assets:</b>		
Unrestricted assets -		
Cash and investments	\$ 6,489,835	\$ 4,783,309
Accounts receivable less allowance for doubtful accounts of \$906,300 and \$953,700	12,621,059	11,768,425
Grants receivable	640,216	34,269,416
Materials and supplies	2,338,288	2,110,619
Prepaid expenses	92,683	125,435
Restricted assets -		
Restricted by debt agreements -		
Sinking fund	10,751,360	10,501,174
Customer deposits	3,957,772	3,915,624
	<u>36,891,213</u>	<u>67,474,002</u>
<b>Noncurrent Assets:</b>		
Restricted assets -		
Restricted by debt agreements -		
Renewal and replacement fund	6,759,203	5,881,006
Operating and maintenance fund	4,024,446	4,112,966
Construction fund	82,452,755	106,979,434
Forward supply agreement	18,902,979	17,362,070
Impact fees	2,213,636	2,435,007
Capital improvement program	3,796,332	10,004,858
Sewer improvement fees	6,935,442	7,195,786
Self-insurance funds	4,997,116	4,997,116
Total noncurrent restricted assets	<u>130,081,909</u>	<u>158,968,243</u>
Capital assets -		
Utility plant in service	550,604,038	529,743,196
Construction work in progress	290,745,458	208,970,244
	<u>841,349,496</u>	<u>738,713,440</u>
Less accumulated depreciation	167,561,077	148,502,478
Total capital assets	<u>673,788,419</u>	<u>590,210,962</u>
Unamortized debt issuance costs (net of accumulated amortization of \$2,259,149 and \$2,037,546)	<u>2,234,328</u>	<u>2,455,931</u>
	<u>806,104,656</u>	<u>751,635,136</u>
<b>Total Assets</b>	<u><u>\$ 842,995,869</u></u>	<u><u>\$ 819,109,138</u></u>



## LIABILITIES AND NET ASSETS

	2010	2009
<b>Current Liabilities (Payable From Current Assets):</b>		
Accounts payable	\$ 2,198,058	\$ 2,188,181
Due to other governments	1,162,303	346,589
Payroll and compensated absences payable	2,451,488	2,278,249
Other current liabilities	17,982	17,905
	<u>5,829,831</u>	<u>4,830,924</u>
<b>Current Liabilities (Payable From Restricted Assets):</b>		
Current portion of long-term debt	11,396,638	10,264,711
Accrued interest payable	3,518,204	3,746,877
Accounts payable - capital improvements	19,484,834	31,820,209
Customer deposits	3,957,772	3,936,925
Claims liabilities	697,467	465,079
	<u>39,054,915</u>	<u>50,233,801</u>
Total current liabilities (payable from restricted assets)		
	<u>44,884,746</u>	<u>55,064,725</u>
<b>Long-Term Liabilities:</b>		
Long-term debt	317,483,621	305,558,685
Long-term compensated absences and benefits payable	2,530,953	1,808,940
Deferred capital contributions	319,528	319,528
	<u>320,334,102</u>	<u>307,687,153</u>
Total long-term liabilities		
	<u>365,218,848</u>	<u>362,751,878</u>
<b>Net Assets:</b>		
Invested in capital assets, net of related debt	423,842,711	377,620,123
Restricted for debt service and other bond requirements	40,437,988	37,857,216
Restricted for expansion of utility plant	2,213,636	2,435,007
Unrestricted	11,282,686	38,444,914
	<u>477,777,021</u>	<u>456,357,260</u>
Total net assets		
	<u>477,777,021</u>	<u>456,357,260</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 842,995,869</u></u>	<u><u>\$ 819,109,138</u></u>

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**EMERALD COAST UTILITIES AUTHORITY  
WATER AND WASTEWATER SYSTEM  
COMPARATIVE SCHEDULES OF REVENUE, EXPENSES  
AND CHANGES IN NET ASSETS  
YEARS ENDED SEPTEMBER 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
<b>Operating Revenue:</b>		
Customer charges -		
Wastewater	\$ 39,211,690	\$ 36,416,004
Water	30,199,110	29,463,410
Connection charges	232,556	246,311
Sewer improvement fees	5,917,989	5,923,779
Charges for overhead	3,328,865	2,888,050
Other	1,994,886	2,303,110
	<u>80,885,096</u>	<u>77,240,664</u>
<b>Operating Expenses Before Depreciation:</b>		
Personal services	27,624,605	27,389,489
Contractual services	2,524,234	1,785,702
Professional services	704,253	704,221
Supplies	4,485,101	4,720,848
Repairs and maintenance	2,229,771	2,183,486
Heat, light and power	6,575,860	6,309,589
Other	3,180,720	3,447,047
	<u>47,324,544</u>	<u>46,540,382</u>
<b>Operating Income Before Depreciation</b>	<b>33,560,552</b>	<b>30,700,282</b>
<b>Depreciation</b>	<b>19,921,328</b>	<b>16,756,762</b>
	<u>13,639,224</u>	<u>13,943,520</u>
<b>Nonoperating Revenue (Expenses):</b>		
Investment income	2,288,736	4,014,169
Settlement income	812,795	10,047,361
Interest expense	(12,326,613)	(13,473,057)
Loss on disposal of assets	(982,615)	(820,025)
	<u>(10,207,697)</u>	<u>(231,552)</u>
<b>Income Before Capital Contributions and Transfers</b>	<b>3,431,527</b>	<b>13,711,968</b>
Capital contributions - impact fees and other	18,700,643	133,868,156
Capital contributions - noncash	2,375,861	577,648
Transfers to Sanitation System	(3,088,270)	(2,647,455)
	<u>21,419,761</u>	<u>145,510,317</u>
<b>Change in Net Assets</b>	<b>21,419,761</b>	<b>145,510,317</b>
<b>Net Assets at Beginning of Year</b>	<b>456,357,260</b>	<b>310,846,943</b>
	<u>456,357,260</u>	<u>310,846,943</u>
<b>Net Assets at End of Year</b>	<b>\$ 477,777,021</b>	<b>\$ 456,357,260</b>
	<u>\$ 477,777,021</u>	<u>\$ 456,357,260</u>

**EMERALD COAST UTILITIES AUTHORITY  
WATER AND WASTEWATER SYSTEM  
COMPARATIVE SCHEDULES OF CASH FLOWS  
YEARS ENDED SEPTEMBER 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
<b>Cash Flows From Operating Activities:</b>		
Cash received from customers and others	\$ 80,205,041	\$ 85,657,190
Cash paid to suppliers for goods and services	(31,169,662)	(29,714,739)
Cash paid to employees for services	(17,463,914)	(17,720,373)
Net cash provided by operating activities	<u>31,571,465</u>	<u>38,222,078</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>		
Acquisition and construction of capital assets	(114,462,330)	(175,096,810)
Proceeds from issuance of long-term debt	22,266,883	-
Principal paid on long-term debt	(10,441,916)	(9,750,539)
Interest paid on long-term debt	(11,101,787)	(10,951,682)
Proceeds from sale of assets	21,416	-
Contributions from developers, customers, and other governments	52,970,059	100,560,794
Net cash provided used for capital and related financing activities	<u>(60,747,675)</u>	<u>(95,238,237)</u>
<b>Cash Flows From Investing Activities:</b>		
Investment income	(972,926)	2,770,667
Purchases of investments	(104,433,423)	(104,038,537)
Proceeds from maturities of investments and notes receivable	141,326,357	10,698,400
Net cash provided by (used for) investing activities	<u>35,920,008</u>	<u>(90,569,470)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>6,743,798</b>	<b>(147,585,629)</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b><u>38,653,637</u></b>	<b><u>186,239,266</u></b>
<b>Cash and Cash Equivalents, End of Year</b>	<b><u>\$ 45,397,435</u></b>	<b><u>\$ 38,653,637</u></b>

**EMERALD COAST UTILITIES AUTHORITY  
WATER AND WASTEWATER SYSTEM  
COMPARATIVE SCHEDULES OF CASH FLOWS  
YEARS ENDED SEPTEMBER 30, 2010 AND 2009  
(Continued)**

	<u>2010</u>	<u>2009</u>
<b>Reconciliation of Operating Income to Net Cash</b>		
<b>Provided by Operations:</b>		
Operating income	\$ 13,639,224	\$ 13,943,520
Adjustments to reconcile net operating income to cash provided by operating activities -		
Depreciation	19,921,328	16,756,762
Settlement income	812,795	10,047,361
Transfers to Sanitation System	(3,088,270)	(2,647,455)
Changes in -		
Accounts receivable	(1,492,850)	(1,630,835)
Materials and supplies	(227,669)	194,705
Prepaid expenses	32,752	103,078
Accounts payable	9,877	453,823
Due to other governments	815,714	55,969
Payroll and compensated absences payable	173,239	202,023
Other current liabilities	77	(8,510)
Long-term compensated absences payable	722,013	749,077
Customer deposits	20,847	(20,328)
Claims liabilities	232,388	22,888
Net cash provided by operating activities	<u>\$ 31,571,465</u>	<u>\$ 38,222,078</u>
<b>Reconciliation of Cash and Cash Equivalents per Statements of Cash Flows to the Balance Sheets:</b>		
Cash and investments	\$ 6,489,835	\$ 4,783,309
Restricted assets	<u>144,791,041</u>	<u>173,385,041</u>
	151,280,876	178,168,350
Less notes receivable and investments	(105,883,441)	(139,514,713)
Cash and cash equivalents	<u>\$ 45,397,435</u>	<u>\$ 38,653,637</u>
<b>Supplemental Schedule of Noncash Investing, Capital and Financing Activities:</b>		
Property contributed by developers and others	<u>\$ 2,375,861</u>	<u>\$ 577,648</u>
Unrealized appreciation in fair value of investments	<u>\$ 3,261,662</u>	<u>\$ 1,243,502</u>

**EMERALD COAST UTILITIES AUTHORITY  
WATER AND WASTEWATER SYSTEM  
SCHEDULE OF REVENUE AND EXPENSES COMPARED TO BUDGET  
YEAR ENDED SEPTEMBER 30, 2010**

	Actual (GAAP Basis)	Adjustment to Budgetary Basis	Actual (Budgetary Basis)
<b>Operating Revenue:</b>			
Customer charges -			
Wastewater	\$ 39,211,690	\$	\$ 39,211,690
Water	30,199,110		30,199,110
Connection charges	232,556		232,556
Sewer improvement fees	5,917,989		5,917,989
Charges for overhead	3,328,865	(3,088,270)	240,595
Other	1,994,886		1,994,886
Total operating revenue	<u>80,885,096</u>	<u>(3,088,270)</u>	<u>77,796,826</u>
<b>Operating Expenses Before Depreciation:</b>			
Personal services	27,624,605	(163,761)	27,460,844
Contractual services	2,524,234		2,524,234
Professional services	704,253		704,253
Supplies	4,485,101		4,485,101
Repairs and maintenance	2,229,771		2,229,771
Heat, light and power	6,575,860		6,575,860
Other	3,180,720		3,180,720
Total operating expenses before depreciation	<u>47,324,544</u>	<u>(163,761)</u>	<u>47,160,783</u>
<b>Operating Income Before Depreciation</b>	33,560,552	(2,924,509)	30,636,043
<b>Depreciation</b>	19,921,328	(19,921,328)	-
Operating income	<u>13,639,224</u>	<u>16,996,819</u>	<u>30,636,043</u>
<b>Nonoperating Revenue (Expenses):</b>			
Investment income	2,288,736		2,288,736
Settlement income	812,795		812,795
Interest expense	(12,326,613)	(3,725,209)	(16,051,822)
Loss on disposal of assets	(982,615)	982,615	-
Total nonoperating revenue (expenses)	<u>(10,207,697)</u>	<u>(2,742,594)</u>	<u>(12,950,291)</u>
<b>Income Before Capital Contributions, Transfers And Other Financing Sources (Uses)</b>	3,431,527	14,254,225	17,685,752
Capital contributions - impact fees and other	18,700,643		18,700,643
Capital contributions - noncash	2,375,861	(2,375,861)	-
Transfers to Sanitation System	(3,088,270)	3,088,270	-
Principal sinking fund requirements	<u>-</u>	<u>(10,441,916)</u>	<u>(10,441,916)</u>
<b>Change in Net Assets</b>	<u>\$ 21,419,761</u>	<u>\$ 4,524,718</u>	<u>\$ 25,944,479</u>

Budget	Variance- Favorable (Unfavorable)
\$ 39,211,688	\$ 2
30,199,110	-
243,000	(10,444)
5,917,988	1
240,595	-
1,694,000	300,886
<u>77,506,381</u>	<u>290,445</u>
28,050,097	589,253
2,642,963	118,729
704,258	5
4,891,778	406,677
2,229,800	29
6,575,867	7
<u>3,198,590</u>	<u>17,870</u>
<u>48,293,353</u>	<u>1,132,570</u>
29,213,028	1,423,015
-	-
<u>29,213,028</u>	<u>1,423,015</u>
747,825	1,540,911
812,795	-
(16,051,826)	4
-	-
<u>(14,491,206)</u>	<u>1,540,915</u>
14,721,822	2,963,930
9,893,291	8,807,352
-	-
-	-
<u>(9,026,969)</u>	<u>(1,414,947)</u>
<u>\$ 15,588,144</u>	<u>\$ 10,356,335</u>

**EMERALD COAST UTILITIES AUTHORITY  
SANITATION SYSTEM  
COMPARATIVE SCHEDULES OF ASSETS, LIABILITIES AND NET ASSETS  
SEPTEMBER 30, 2010 AND 2009**

**ASSETS**

	<u>2010</u>	<u>2009</u>
<b>Current Assets:</b>		
Unrestricted assets -		
Cash and investments	\$ 50	\$ 50
Accounts receivable less allowance for doubtful accounts of \$54,200 and \$69,200	1,151,495	1,127,738
Materials and supplies	1,013,514	942,223
Restricted assets -		
Restricted by debt agreements - Sinking fund	587,543	571,698
Total current assets	<u>2,752,602</u>	<u>2,641,709</u>
<b>Noncurrent Assets:</b>		
Restricted assets -		
Restricted by debt agreements -		
Renewal and replacement fund	145,410	151,338
Operating and maintenance fund	1,216,629	1,225,345
Capital improvement program	1,834,494	1,260,233
Total noncurrent restricted assets	<u>3,196,533</u>	<u>2,636,916</u>
Capital assets -		
Utility plant in service	30,032,304	28,907,070
Construction work in progress	854	-
Intangible assets	14,996,954	14,996,954
	<u>45,030,112</u>	<u>43,904,024</u>
Less accumulated depreciation and amortization	24,451,242	22,229,262
Total capital assets	<u>20,578,870</u>	<u>21,674,762</u>
Unamortized debt issuance costs (net of accumulated amortization \$214,999 and \$200,366)	165,840	180,473
Total noncurrent assets	<u>23,941,243</u>	<u>24,492,151</u>
<b>Total Assets</b>	<u><u>\$ 26,693,845</u></u>	<u><u>\$ 27,133,860</u></u>



## LIABILITIES AND NET ASSETS

	<u>2010</u>	<u>2009</u>
<b>Current Liabilities (Payable From Current Assets):</b>		
Accounts payable	\$ 848,203	\$ 665,023
Due to other governments	10,122	9,474
Payroll and compensated absences payable	<u>480,278</u>	<u>451,439</u>
Total current liabilities (payable from current assets)	<u>1,338,603</u>	<u>1,125,936</u>
<b>Current Liabilities (Payable From Restricted Assets):</b>		
Current portion of long-term debt	635,000	1,179,616
Accrued interest payable	111,293	117,948
Accounts payable - capital improvements	81,668	26,155
Claims liabilities	<u>467,134</u>	<u>435,049</u>
Total current liabilities (payable from restricted assets)	<u>1,295,095</u>	<u>1,758,768</u>
Total current liabilities	<u>2,633,698</u>	<u>2,884,704</u>
<b>Long-Term Liabilities:</b>		
Long-term debt	8,201,138	8,744,916
Long-term compensated absences and benefits payable	<u>634,626</u>	<u>423,175</u>
Total long-term liabilities	<u>8,835,764</u>	<u>9,168,091</u>
Total liabilities	<u>11,469,462</u>	<u>12,052,795</u>
<b>Net Assets:</b>		
Invested in capital assets, net of related debt	11,631,439	11,632,282
Restricted for debt service and other bond requirements	1,949,582	1,948,381
Unrestricted	<u>1,643,362</u>	<u>1,500,402</u>
Total net assets	<u>15,224,383</u>	<u>15,081,065</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 26,693,845</u></u>	<u><u>\$ 27,133,860</u></u>

**EMERALD COAST UTILITIES AUTHORITY  
SANITATION SYSTEM  
COMPARATIVE SCHEDULES OF REVENUE, EXPENSES  
AND CHANGES IN NET ASSETS  
YEARS ENDED SEPTEMBER 30, 2010 AND 2009**

	<u>Residential</u>	<u>Commercial</u>	<u>Total 2010</u>	<u>Total 2009</u>
<b>Operating Revenue:</b>				
Customer charges -				
Sanitation	\$ 16,649,842	\$ 1,298,144	\$ 17,947,986	\$ 17,575,034
Other	146,936	124,093	271,029	274,410
	<u>16,796,778</u>	<u>1,422,237</u>	<u>18,219,015</u>	<u>17,849,444</u>
<b>Operating Expenses Before Depreciation and Amortization:</b>				
Personal services	6,375,353	573,714	6,949,067	7,389,232
Contractual services	527,463	9,551	537,014	467,830
Professional services	25,404	10,029	35,433	141,018
Supplies	1,436,927	100,976	1,537,903	1,420,831
Repairs and maintenance	1,148,954	80,205	1,229,159	935,899
Heat, light and power	74,408	2,255	76,663	80,007
Tipping fees	3,476,779	297,459	3,774,238	3,651,319
Overhead allocation	3,222,457	106,408	3,328,865	2,888,050
Other	394,957	16,518	411,475	451,813
	<u>16,682,702</u>	<u>1,197,115</u>	<u>17,879,817</u>	<u>17,425,999</u>
<b>Operating Income Before Depreciation and Amortization</b>	114,076	225,122	339,198	423,445
<b>Depreciation and Amortization</b>	<u>2,475,775</u>	<u>353,786</u>	<u>2,829,561</u>	<u>2,583,324</u>
Operating loss	<u>(2,361,699)</u>	<u>(128,664)</u>	<u>(2,490,363)</u>	<u>(2,159,879)</u>
<b>Nonoperating Revenue (Expenses):</b>				
Investment income	8,289	-	8,289	40,018
Interest expense	(576,110)	(3,898)	(580,008)	(629,322)
Gain on disposal of assets	117,130	-	117,130	2,478
	<u>(450,691)</u>	<u>(3,898)</u>	<u>(454,589)</u>	<u>(586,826)</u>
<b>Loss Before Transfers</b>	(2,812,390)	(132,562)	(2,944,952)	(2,746,705)
Transfers from Water and Wastewater System	<u>3,088,270</u>	<u>-</u>	<u>3,088,270</u>	<u>2,647,455</u>
<b>Change in Net Assets</b>	<u>\$ 275,880</u>	<u>\$ (132,562)</u>	<u>143,318</u>	<u>(99,250)</u>
<b>Net Assets at Beginning of Year</b>			<u>15,081,065</u>	<u>15,180,315</u>
<b>Net Assets at End of Year</b>			<u>\$ 15,224,383</u>	<u>\$ 15,081,065</u>

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**EMERALD COAST UTILITIES AUTHORITY  
SANITATION SYSTEM  
COMPARATIVE SCHEDULES OF CASH FLOWS  
YEARS ENDED SEPTEMBER 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
<b>Cash Flows From Operating Activities:</b>		
Cash received from customers and others	\$ 18,195,258	\$ 17,960,076
Cash paid to suppliers for goods and services	(9,935,885)	(9,740,927)
Cash paid to employees for services	(4,470,750)	(4,546,163)
Net cash provided by operating activities	<u>3,788,623</u>	<u>3,672,986</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>		
Acquisition and construction of capital assets	(1,680,781)	(3,648,104)
Principal paid on long-term debt	(1,179,616)	(1,137,337)
Interest paid on long-term debt	(480,808)	(529,682)
Proceeds from sale of assets	119,755	18,271
Net cash used for capital and related financing activities	<u>(3,221,450)</u>	<u>(5,296,852)</u>
<b>Cash Flows From Investing Activities:</b>		
Investment income	(40,900)	40,018
Purchases of investments	(2,985,315)	-
Proceeds from maturities of investments	3,985,938	(2,795,780)
Net cash provided by (used for) investing activities	<u>959,723</u>	<u>(2,755,762)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>1,526,896</b>	<b>(4,379,628)</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>(229,173)</u>	<u>4,150,455</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 1,297,723</u>	<u>\$ (229,173)</u>

**EMERALD COAST UTILITIES AUTHORITY  
SANITATION SYSTEM  
COMPARATIVE SCHEDULES OF CASH FLOWS  
YEARS ENDED SEPTEMBER 30, 2010 AND 2009  
(Continued)**

	<u>2010</u>	<u>2009</u>
<b>Cash Flows From Operating Activities:</b>		
Operating loss	\$ (2,490,363)	\$ (2,159,879)
Adjustments to reconcile net operating loss to cash provided by operating activities -		
Depreciation and amortization	2,829,561	2,583,324
Transfers from Water and Wastewater System	3,088,270	2,647,455
Changes in -		
Accounts receivable	(23,757)	110,632
Materials and supplies	(71,291)	6,525
Prepaid expenses	-	2,887
Accounts payable	183,180	113,621
Due to other governments	648	(29,719)
Payroll and compensated absences payable	28,839	16,564
Long-term compensated absences payable	211,451	200,942
Claims liabilities	32,085	180,634
Net cash provided by operating activities	<u>\$ 3,788,623</u>	<u>\$ 3,672,986</u>

**Reconciliation of Cash and Cash Equivalents per  
Statements of Cash Flows to the Balance Sheets:**

Cash and investments	\$ 50	\$ 50
Restricted assets	3,784,076	3,208,614
	<u>3,784,126</u>	<u>3,208,664</u>
Less investments	(2,486,403)	(3,437,837)
Cash and cash equivalents	<u>\$ 1,297,723</u>	<u>\$ (229,173)</u>

**Supplemental Schedule of Noncash Investing, Capital  
and Financing Activities:**

Unrealized appreciation in fair value of investments	<u>\$ 49,189</u>	<u>\$ -</u>
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**EMERALD COAST UTILITIES AUTHORITY  
SANITATION SYSTEM  
SCHEDULE OF REVENUE AND EXPENSES COMPARED TO BUDGET  
YEAR ENDED SEPTEMBER 30, 2010**

	Actual (GAAP Basis)	Adjustment to Budgetary Basis	Actual (Budgetary Basis)
<b>Operating Revenue:</b>			
Customer charges -			
Sanitation	\$ 17,947,986	\$	\$ 17,947,986
Other	271,029		271,029
Total operating revenue	<u>18,219,015</u>	<u>-</u>	<u>18,219,015</u>
<b>Operating Expenses Before Depreciation and Amortization:</b>			
Personal services	6,949,067		6,949,067
Contractual services	537,014		537,014
Professional services	35,433		35,433
Supplies	1,537,903		1,537,903
Repairs and maintenance	1,229,159		1,229,159
Heat, light and power	76,663		76,663
Tipping	3,774,238		3,774,238
Overhead allocation	3,328,865	(3,088,270)	240,595
Other	411,475		411,475
Total operating expenses before depreciation	<u>17,879,817</u>	<u>(3,088,270)</u>	<u>14,791,547</u>
<b>Operating Income Before Depreciation and Amortization</b>	339,198	3,088,270	3,427,468
<b>Depreciation and Amortization</b>	<u>2,829,561</u>	<u>(2,829,561)</u>	<u>-</u>
Operating income (loss)	<u>(2,490,363)</u>	<u>5,917,831</u>	<u>3,427,468</u>
<b>Nonoperating Revenue (Expenses):</b>			
Investment income	8,289		8,289
Interest expense	(580,008)	(854)	(580,862)
Gain on disposal of assets	117,130		117,130
Total nonoperating revenue (expenses)	<u>(454,589)</u>	<u>(854)</u>	<u>(455,443)</u>
<b>Income (Loss) Before Transfers and Other Financing Sources (Uses)</b>	(2,944,952)	5,916,977	2,972,025
Transfers from Water and Wastewater System	3,088,270	(3,088,270)	-
Principal sinking fund requirements	<u>-</u>	<u>(1,179,616)</u>	<u>(1,179,616)</u>
<b>Changes in Net Assets</b>	<u>\$ 143,318</u>	<u>\$ 1,649,091</u>	<u>\$ 1,792,409</u>

<u>Budget</u>	<u>Variance - Favorable (Unfavorable)</u>
\$ 17,947,983	\$ 3
255,098	15,931
<u>18,203,081</u>	<u>15,934</u>
6,978,098	29,031
537,016	2
35,433	-
1,537,918	15
1,229,165	6
76,665	2
3,774,238	-
240,595	-
431,015	19,540
<u>14,840,143</u>	<u>48,596</u>
3,362,938	64,530
<u>-</u>	<u>-</u>
<u>3,362,938</u>	<u>64,530</u>
8,291	(2)
(580,864)	2
117,130	-
<u>(455,443)</u>	<u>-</u>
2,907,495	64,530
-	-
<u>(1,096,260)</u>	<u>(83,356)</u>
<u>\$ 1,811,235</u>	<u>\$ (18,826)</u>

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**STATISTICAL SECTION - UNAUDITED**

## **STATISTICAL SECTION - UNAUDITED**

This part of the Authority's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Authority's overall financial health.

### **Contents**

#### **Financial Trends**

These schedules contain trend information to help the reader understand how the Authority's financial performance and well being have changed over time.

#### **Revenue Capacity**

These schedules contain information to help the reader assess the Authority's revenue sources.

#### **Debt Capacity**

These schedules present information to help the reader assess the affordability of the Authority's current levels of outstanding debt and the Authority's ability to issue additional debt in the future.

#### **Demographic and Economic Information**

These schedules present information to help the reader understand the environment within which the Authority's financial activities take place.

#### **Operating Information**

These schedules contain service data to help the reader understand how the information in the Authority's financial report relates to the services the Authority provides.

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**EMERALD COAST UTILITIES AUTHORITY  
NET ASSETS BY COMPONENT  
LAST NINE FISCAL YEARS  
(THOUSANDS OMITTED)  
(UNAUDITED)**

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Invested in capital assets, net of related debt	<b>\$ 435,474</b>	\$ 389,252	\$ 231,048	\$ 203,550	\$ 156,525	\$ 141,404	\$ 127,737	\$ 118,793	\$ 103,138
Restricted	<b>44,601</b>	42,241	39,086	37,619	33,629	35,311	32,538	31,332	30,866
Unrestricted	<b>12,926</b>	39,945	55,893	56,214	62,556	53,643	56,157	58,340	66,149
<b>Total net assets</b>	<b><u>\$ 493,001</u></b>	<u>\$ 471,438</u>	<u>\$ 326,027</u>	<u>\$ 297,383</u>	<u>\$ 252,710</u>	<u>\$ 230,358</u>	<u>\$ 216,432</u>	<u>\$ 208,465</u>	<u>\$ 200,153</u>

**Note:** The Authority began to report the above components of net assets when it implemented GASB Statement No. 34 in 2002.

**EMERALD COAST UTILITIES AUTHORITY  
SCHEDULES OF REVENUE AND EXPENSES  
LAST TEN FISCAL YEARS  
(THOUSANDS OMITTED)  
(UNAUDITED)**

	<b>2010</b>	2009	2008	2007	2006	2005	2004	2003	2002	2001
<b>Operating Revenue:</b>										
Customer charges	<b>\$ 87,359</b>	\$ 83,454	\$ 80,812	\$ 80,163	\$ 76,713	\$ 69,022	\$ 67,767	\$ 64,569	\$ 64,756	\$ 63,611
Connection charges	<b>232</b>	246	467	705	755	814	565	488	435	432
Sewer improvement fees	<b>5,918</b>	5,924	6,097	2,020	-	-	-	-	-	-
Other	<b>2,266</b>	2,578	2,870	1,447	1,992	1,129	918	795	890	792
Total operating revenue	<b>95,775</b>	92,202	90,246	84,335	79,460	70,965	69,250	65,852	66,081	64,835
<b>Operating Expenses Before</b>										
<b>Depreciation and Amortization:</b>										
Personal services	<b>34,574</b>	34,779	32,470	30,647	27,684	26,873	25,442	23,680	22,488	21,932
Contractual services	<b>3,061</b>	2,253	2,879	2,493	2,315	2,006	1,512	1,721	1,683	1,579
Professional services	<b>740</b>	845	482	605	516	808	793	584	570	470
Supplies	<b>6,023</b>	6,142	6,685	6,019	5,412	4,837	4,573	4,778	4,618	4,185
Repairs and maintenance	<b>3,459</b>	3,119	3,797	3,926	4,229	4,276	3,664	3,722	3,215	2,603
Heat, light and power	<b>6,652</b>	6,390	5,400	5,309	4,848	4,709	3,978	3,653	3,252	3,280
Tipping fees	<b>3,774</b>	3,651	3,516	3,285	3,317	3,286	3,090	3,044	2,943	2,817
Other	<b>3,592</b>	3,899	3,931	4,202	3,498	3,587	3,061	3,539	3,208	3,224
Total operating expenses before depreciation and amortization	<b>61,875</b>	61,078	59,160	56,486	51,819	50,382	46,113	44,721	41,977	40,090
<b>Operating Income Before</b>										
<b>Depreciation and Amortization:</b>	<b>33,900</b>	31,124	31,086	27,849	27,641	20,583	23,137	21,131	24,104	24,745
<b>Depreciation and Amortization</b>	<b>22,751</b>	19,340	18,152	16,122	14,569	13,380	12,727	11,729	10,286	8,813
Operating income	<b>11,149</b>	11,784	12,934	11,727	13,072	7,203	10,410	9,402	13,818	15,932

**EMERALD COAST UTILITIES AUTHORITY**  
**SCHEDULES OF REVENUE AND EXPENSES**  
**LAST TEN FISCAL YEARS**  
**(THOUSANDS OMITTED)**  
**(UNAUDITED)**  
**(Continued)**

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
<b>Nonoperating Revenue (Expenses):</b>										
Investment income	2,297	4,054	5,132	5,427	4,215	2,699	1,753	1,778	4,378	6,204
Settlement income	813	10,047	-	-	-	-	-	-	-	-
Interest expense	(12,907)	(14,102)	(9,864)	(9,169)	(9,009)	(9,245)	(9,796)	(9,305)	(9,063)	(8,778)
Main Street WWTP repairs	-	-	-	-	-	-	(626)	(1,138)	(1,103)	(529)
Hurricane disaster assistance, net	-	-	(327)	(33)	(124)	1,303	(36)	60	70	45
Insurance recoveries, net	-	-	-	-	-	911	44	-	-	-
Gain (loss) on disposal of assets	(865)	(818)	(226)	(1,457)	(498)	(59)	(792)	(1,080)	(1,144)	128
Total nonoperating revenue (expenses)	(10,662)	(819)	(5,285)	(5,232)	(5,416)	(4,391)	(9,453)	(9,685)	(6,862)	(2,930)
<b>Income (Loss) Before Capital Contributions</b>	487	10,965	7,649	6,495	7,656	2,812	957	(283)	6,956	13,002
Capital contributions - cash	18,700	133,868	15,431	25,909	9,670	7,818	5,384	6,717	6,192	4,188
Capital contributions - noncash	2,376	578	5,564	12,269	5,026	3,296	1,625	1,878	2,927	2,479
<b>Change in Net Assets</b>	<u>\$ 21,563</u>	<u>\$ 145,411</u>	<u>\$ 28,644</u>	<u>\$ 44,673</u>	<u>\$ 22,352</u>	<u>\$ 13,926</u>	<u>\$ 7,966</u>	<u>\$ 8,312</u>	<u>\$ 16,075</u>	<u>\$ 19,669</u>

**EMERALD COAST UTILITIES AUTHORITY  
OUTSTANDING DEBT BY TYPE AND PER WATER CUSTOMER  
LAST TEN FISCAL YEARS  
(UNAUDITED)**

**OUTSTANDING DEBT BY TYPE**

Year	State Revolving Loans	Capital Leases	Water and Wastewater System Bonds	Sanitation System Bonds	Water and Wastewater System Note	Total
2001	\$ 567,643	\$ -	\$ 161,493,193	\$ 13,545,131	\$ -	\$ 175,605,967
2002	\$ 567,643	\$ -	\$ 155,848,578	\$ 12,891,355	\$ -	\$ 169,307,576
2003	\$ 567,643	\$ -	\$ 173,652,303	\$ 12,207,578	\$ -	\$ 186,427,524
2004	\$ 567,643	\$ -	\$ 168,147,176	\$ 11,698,800	\$ -	\$ 180,413,619
2005	\$ 3,163,288	\$ 70,455	\$ 162,082,871	\$ 11,165,023	\$ -	\$ 176,481,637
2006	\$ 6,697,534	\$ 46,701	\$ 172,971,792	\$ 10,746,247	\$ -	\$ 190,462,274
2007	\$ 12,447,691	\$ 23,107	\$ 166,138,867	\$ 10,307,470	\$ -	\$ 188,917,135
2008	\$ 20,589,473	\$ 15,880,016	\$ 159,045,915	\$ 9,843,693	\$ 130,000,000	\$ 335,359,097
2009	\$ 20,080,754	\$ 14,815,860	\$ 151,501,398	\$ 9,349,916	\$ 130,000,000	\$ 325,747,928
<b>2010</b>	<b>\$ 41,285,144</b>	<b>\$ 13,706,821</b>	<b>\$ 144,003,294</b>	<b>\$ 8,836,138</b>	<b>\$ 129,885,000</b>	<b>\$ 337,716,397</b>

**OUTSTANDING DEBT PER WATER CUSTOMER**

Year	Total Debt	Total Customers	Debt Per Customer
2001	\$ 175,605,967	85,344	\$ 2,058
2002	\$ 169,307,576	86,826	\$ 1,950
2003	\$ 186,427,524	87,736	\$ 2,125
2004	\$ 180,413,619	88,024	\$ 2,050
2005	\$ 176,481,637	88,727	\$ 1,989
2006	\$ 190,462,274	89,692	\$ 2,124
2007	\$ 188,917,135	90,337	\$ 2,091
2008	\$ 335,359,097	89,716	\$ 3,738
2009	\$ 325,747,928	88,470	\$ 3,682
<b>2010</b>	<b>\$ 337,716,397</b>	<b>88,723</b>	<b>\$ 3,806</b>

**EMERALD COAST UTILITIES AUTHORITY  
DEBT SERVICE COVERAGE  
LAST TEN FISCAL YEARS  
(UNAUDITED)**

<u>Year</u>	<u>Operating Revenue and Interest Income</u>	<u>Operating Expenses Before Depreciation and Amortization</u>	<u>Net Revenue Available For Debt Service</u>	<u>Debt Service</u>	<u>Actual Coverage</u>	<u>Required Coverage</u>
2001	\$ 69,315,014	\$ 40,089,621	\$ 29,225,393	\$ 17,559,174	1.66	1.25
2002	\$ 68,698,595	\$ 41,977,118	\$ 26,721,477	\$ 16,216,871	1.65	1.25
2003	\$ 67,183,089	\$ 44,720,787	\$ 22,462,302	\$ 16,563,987	1.36	1.25
2004	\$ 70,314,029	\$ 46,111,568	\$ 24,202,461	\$ 17,041,375	1.42	1.25
2005	\$ 73,067,161	\$ 50,382,004	\$ 24,454,093	\$ 16,278,953	1.50	1.25
2006	\$ 83,299,789	\$ 51,819,044	\$ 31,480,745	\$ 16,631,968	1.89	1.25
2007	\$ 88,912,836	\$ 56,485,926	\$ 32,426,910	\$ 17,775,258	1.82	1.25
2008	\$ 93,658,613	\$ 59,159,846	\$ 34,498,767	\$ 19,573,227	1.76	1.25
2009	\$ 95,012,742	\$ 61,078,331	\$ 33,934,411	\$ 25,044,035	1.35	1.25
<b>2010</b>	<b>\$ 96,531,362</b>	<b>\$ 61,875,496</b>	<b>\$ 34,655,866</b>	<b>\$ 23,897,498</b>	<b>1.45</b>	<b>1.25</b>



**EMERALD COAST UTILITIES AUTHORITY  
NUMBER OF ACTIVE CUSTOMERS AT FISCAL YEAR END  
LAST TEN FISCAL YEARS  
(UNAUDITED)**

<u>Year</u>	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>	<u>Ratio of Sewer Customers To Water Customers</u>
2001	85,344	55,812	59,934	65%
2002	86,826	57,857	61,191	67%
2003	87,736	59,528	62,319	68%
2004	88,024	60,863	63,496	69%
2005	88,727	62,048	63,342	70%
2006	89,692	63,527	64,653	71%
2007	90,337	65,101	65,298	72%
2008	89,716	65,216	65,043	73%
2009	88,470	64,741	78,205	73%
<b>2010</b>	<b>88,723</b>	<b>65,268</b>	<b>79,417</b>	<b>74%</b>

**EMERALD COAST UTILITIES AUTHORITY**  
**PRINCIPAL CUSTOMERS**  
**FOR THE FISCAL YEARS ENDED SEPTEMBER 2010 AND 2001**  
**(UNAUDITED)**

Name	Water Sales in Millions of Gallons	2010 Annual Revenue			Percentage of Total Revenue
		Water	Sewer	Total	
NAVFAC SE (NAS Pensacola )	-	\$ -	\$ 1,872,605	\$ 1,872,605	2.0
NAVFAC SE (Corry Station SW )	-	-	636,185	636,185	0.7
Baptist Hospital	83.1	170,134	431,843	601,977	0.6
Escambia County Jail	72.8	137,501	328,948	466,448	0.5
Pall Gelman Sciences	66.7	123,304	303,290	426,593	0.4
Escambia Housing	53.2	111,890	286,411	398,301	0.4
Portofino Island Resort	35.6	136,090	209,695	345,785	0.4
Sacred Heart Hospital	45.6	97,912	230,358	328,270	0.3
Columbia West Florida Regional Medical Center	38.6	75,026	207,930	282,956	0.3
University of West Florida	-	492	278,310	278,802	0.3
U.S. Navy--Saufley Field	71.2	68,880	164,121	233,001	0.2
Pensacola Christian College	32.2	68,512	150,916	219,428	0.2
Crown Health Care & Laundry	32.8	61,018	141,436	202,454	0.2
Perdido Housing	24.5	50,364	132,051	182,414	0.2
DM Oakwood Terrace	23.9	45,475	128,783	174,258	0.2
	580.2	\$ 1,146,599	\$ 5,502,880	\$ 6,649,478	6.9

Name	Water Sales in Millions of Gallons	2001 Annual Revenue			Percentage of Total Revenue
		Water	Sewer	Total	
Pensacola Christian College	95.7	\$ 130,351	\$ 344,028	\$ 474,379	0.7
Baptist Hospital	69.8	100,028	274,442	374,470	0.6
City of Gulf Breeze	336.6	309,641	-	309,641	0.5
Pall Gelman Sciences	39.0	51,253	146,674	197,927	0.3
Sacred Heart Hospital	38.1	55,763	132,748	188,511	0.3
U.S. Navy--Saufley Field	50.6	60,999	127,451	188,450	0.3
Columbia West Florida Regional Medical Center	34.6	48,777	136,047	184,824	0.3
Escambia County Jail	32.0	45,019	125,739	170,758	0.3
University of West Florida	-	133	167,321	167,454	0.3
Area Housing Commission	26.6	38,393	104,326	142,719	0.2
Crown Health Care & Laundry	28.8	38,629	90,431	129,060	0.2
National Linen Service	25.7	34,641	80,639	115,280	0.2
Clerk of the Court- MC Blanchard Building	21.1	28,522	82,992	111,514	0.2
Pensacola Village Apartments	18.4	25,197	72,206	97,403	0.2
Armstrong World Industries	44.3	58,451	36,624	95,075	0.1
	861.3	\$ 1,025,797	\$ 1,921,668	\$ 2,947,465	4.7

**EMERALD COAST UTILITIES AUTHORITY  
PRINCIPAL EMPLOYERS  
FOR THE FISCAL YEARS ENDED SEPTEMBER 2010 AND 2001  
(UNAUDITED)**

**2010**

<u>Name</u>	<u>Number of Employees</u>	<u>Percentage of Total Employment</u>
Local Government	15,790	7.30%
Federal Government	7,403	3.40%
State Government	5,970	2.80%
Sacred Heart Health System	5,000	2.30%
Baptist Health Care	3,163	1.50%
Lakeview Center	2,000	0.90%
Ascend Performance Materials	1,400	0.70%
Gulf Power Company	1,400	0.70%
West Florida Regional Medical Center	1,300	0.60%
University of West Florida	1,231	0.60%
Navy Federal Credit Union	1,200	0.60%
Pensacola Christian College	1,000	0.50%
West Corporation	800	0.40%
	<u>47,657</u>	<u>22.30%</u>

**2001**

<u>Name</u>	<u>Number of Employees</u>	<u>Percentage of Total Employment</u>
Local Government	16,164	8.50%
Federal Government	7,632	4.00%
State Government	5,810	3.10%
Baptist Health Care	5,810	3.10%
Sacred Heart Health System	5,000	2.60%
University of West Florida	1,600	0.80%
Solutia	1,500	0.80%
Gulf Power Company	1,400	0.70%
GE Automation Services	1,250	0.70%
West Florida Regional Medical Center	1,200	0.60%
	<u>47,366</u>	<u>24.90%</u>

Source: Pensacola Chamber of Commerce, Enterprise Florida, Inc., Reference USA, and Florida Research and Economic Development Labor Market Statistics.

**EMERALD COAST UTILITIES AUTHORITY  
RECORDED RAINFALL  
(UNAUDITED)**

Pensacola, Florida  
October 2009 - September 2010

<u>Month</u>	<u>Monthly Rainfall (inches)</u>
October	11.28
November	4.85
December	13.75
January	6.07
February	6.03
March	7.22
April	2.73
May	7.98
June	7.55
July	3.70
August	11.87
September	0.62
	83.65

Pensacola, Florida  
Last Ten Fiscal Years

<u>Year</u>	<u>Annual Rainfall (inches)</u>
2001	53.12
2002	54.29
2003	71.19
2004	58.44
2005	95.03
2006	45.53
2007	41.42
2008	71.00
2009	72.40
<b>2010</b>	<b>83.65</b>

Source: National Oceanic and Atmospheric Administration  
[www.srh.weather.gov](http://www.srh.weather.gov)

**EMERALD COAST UTILITIES AUTHORITY  
WATER CONSUMPTION  
LAST TEN FISCAL YEARS  
(UNAUDITED)**

<u>Year</u>	<u>Pumped (Millions of gallons)</u>	<u>Consumption Billed (Millions of gallons)</u>	<u>Unaccounted For (Millions of gallons)</u>	<u>Percentage Unaccounted For</u>
2001	13,266	12,075	1,191	8.98%
2002	13,536	12,491	1,045	7.72%
2003	12,149	10,995	1,154	9.50%
2004	12,585	11,527	1,058	8.41%
2005	12,543	10,955	1,588	12.66%
2006	13,808	12,660	1,148	8.31%
2007	13,357	11,857	1,500	11.23%
2008	12,159	11,001	1,158	9.52%
2009	11,583	10,504	1,079	9.32%
<b>2010</b>	<b>12,253</b>	<b>10,511</b>	<b>1,742</b>	<b>14.22%</b>
	<u>127,239</u>	<u>114,576</u>	<u>12,663</u>	<u>9.95%</u>

**EMERALD COAST UTILITIES AUTHORITY  
SEWAGE PLANT FLOWS  
(MILLIONS OF GALLONS)  
LAST TEN FISCAL YEARS  
(UNAUDITED)**

<u>Year</u>	<u>Main Street Wastewater Treatment Plant</u>	<u>Bayou Marcus Water Reclamation Facility</u>	<u>Pensacola Beach Wastewater Treatment Plant</u>	<u>Total</u>
2001	4,924	1,371	283	6,578
2002	4,747	1,398	304	6,449
2003	5,315	1,584	303	7,202
2004	5,636	1,648	293	7,577
2005	6,605	1,880	291	8,776
2006	5,785	1,802	283	7,870
2007	5,549	1,813	275	7,637
2008	6,060	1,931	322	8,313
2009	5,620	1,951	307	7,878
<b>2010</b>	<b>6,002</b>	<b>2,374</b>	<b>329</b>	<b>8,705</b>
	<u>56,243</u>	<u>17,752</u>	<u>2,990</u>	<u>76,985</u>

**EMERALD COAST UTILITIES AUTHORITY  
OPERATING INDICATORS  
LAST TEN FISCAL YEARS  
(UNAUDITED)**

	<b>2010</b>	2009	2008	2007	2006	2005	2004	2003	2002	2001
<b>Water:</b>										
New connections	<b>424</b>	437	659	1,192	1,232	1,978	1,764	1,592	1,577	1,547
Average daily consumption (MGD)	<b>33,560</b>	32.914	34.473	33.617	36.430	31.781	29.005	33.248	37.047	36.211
Maximum daily flow (MGD)	<b>45,590</b>	58.426	55.466	60.092	65.375	53.745	56.770	49.384	57.851	57.371
Minimum daily flow (MGD)	<b>24,680</b>	24.242	25.105	25.747	26.200	26.526	24.883	25.772	25.466	26.211
Raw water pumped and treated (MG)	<b>12,253</b>	11,583	12,159	13,357	13,808	12,543	12,585	12,149	13,536	13,266
<b>Wastewater:</b>										
New connections	<b>567</b>	569	560	1,460	1,333	1,846	2,107	2,031	1,862	1,681
Average daily treated flow (MGD)	<b>0.782</b>	0.711	0.750	0.689	0.710	0.792	0.602	0.661	0.581	0.591
Treatment capacity (MGD)	<b>30.600</b>	30.600	30.600	30.600	30.600	30.600	30.600	30.600	30.600	30.600
Wastewater collected and treated (MG)	<b>23,776</b>	21.598	22.800	20.931	21.574	24.069	18.249	20.097	17.668	17.975
Percent of capacity utilized	<b>75.5</b>	71.2	72.6	68.8	76.3	72.1	59.0	61.4	57.8	58.5
Percent of unused capacity	<b>24.5</b>	28.8	27.4	31.2	23.7	27.9	41.0	38.6	42.2	41.5
<b>Sanitation System:</b>										
Residential (tons/year)	<b>73,555</b>	75,094	79,877	80,639	82,216	90,222	81,389	79,176	75,665	72,758
Yard waste (tons/year)	<b>14,479</b>	13,069	12,332	11,279	11,481	9,465	15,300	17,369	17,151	14,964
Bulk waste (tons/year)	<b>3,015</b>	2,958	2,726	3,729	4,698	2,519	3,559	2,837	1,785	1,555
Total residential tons	<b>91,049</b>	91,121	94,935	95,647	98,395	102,206	100,248	99,382	94,601	89,277
Average number of customers/month	<b>73,300</b>	73,100	62,131	62,445	62,205	62,407	62,407	61,217	59,710	58,727
Refuse collected (tons/customer/year)	<b>1.242</b>	1.247	1.528	1.532	1.582	1.638	1.606	1.623	1.584	1.520
Commercial (tons/year)	<b>6,678</b>	9,308	18,314	15,558	15,131	14,407	14,591	15,233	16,120	15,877
Roll-off (tons/year)	<b>1,627</b>	3,603	6,567	9,802	8,543	3,331	2,182	1,564	1,617	1,574
Total commercial tons	<b>8,305</b>	12,911	24,881	25,360	23,674	17,738	16,773	16,797	17,737	17,451
Average number of customers/month	<b>1,395</b>	837	2,912	2,853	2,448	935	1,089	1,102	1,481	1,207
Refuse collected (tons/customer/year)	<b>5.953</b>	15.425	8.544	8.889	9.671	18.971	15.402	15.242	11.976	14.458

**EMERALD COAST UTILITIES AUTHORITY  
MISCELLANEOUS STATISTICS  
LAST TEN FISCAL YEARS  
(UNAUDITED)**

**HOME SALES**

<u>Year</u>	<u>Single Family</u>		<u>Townhouse/Condominium</u>	
	<u>Number</u>	<u>Average Price</u>	<u>Number</u>	<u>Average Price</u>
2001	6,322	99,355	951	178,043
2002	6,324	105,012	896	180,273
2003	6,991	114,259	1,336	261,557
2004	7,755	131,703	1,337	349,723
2005	7,974	150,639	1,008	361,299
2006	5,788	155,304	1,175	468,699
2007	4,338	149,173	734	490,411
2008	3,058	140,700	385	419,451
2009	2,589	132,352	434	328,628
<b>2010</b>	<b>2,782</b>	<b>120,900</b>	<b>413</b>	<b>254,111</b>

Source: Metro Market Trends

**CONSTRUCTION STARTS**

	<u>Commercial</u>		<u>Residential</u>	
	<u>Number of Units</u>	<u>Value (\$000)</u>	<u>Number of Units</u>	<u>Value (\$000)</u>
2001	106	102,475	1,368	126,965
2002	156	217,475	1,567	153,114
2003	124	90,338	1,605	173,803
2004	137	309,087	1,674	188,765
2005	152	286,068	1,834	265,200
2006	134	211,639	1,237	244,313
2007	182	189,003	948	143,129
2008	94	162,276	555	85,386
2009 (1)			534	181,323
<b>2010 (1)</b>			<b>568</b>	<b>178,646</b>

Source: Escambia County Building Inspection Department

(1) The information for commercial construction starts is no longer readily available and could not be obtained for 2009 or 2010.



**EMERALD COAST UTILITIES AUTHORITY  
MISCELLANEOUS STATISTICS  
LAST TEN FISCAL YEARS  
(UNAUDITED)**

**ESCAMBIA COUNTY POPULATION**

<u>Year</u>	<u>Population</u>	<u>Change</u>	<u>Percent Change</u>
2001	296,709	(7,203)	-2.39%
2002	299,485	2,776	0.94%
2003	303,310	3,825	1.28%
2004	307,226	3,916	1.29%
2005	303,623	(3,603)	-1.17%
2006	309,647	6,024	1.98%
2007	311,775	2,128	0.69%
2008	313,480	1,705	0.55%
2009	312,980	(500)	-0.16%
<b>2010</b>	<b>311,184</b>	<b>(1,796)</b>	<b>-0.57%</b>

Source: Florida Statistical Abstract  
Bureau of Economic and Business Research  
University of Florida

**EMERALD COAST UTILITIES AUTHORITY  
MISCELLANEOUS STATISTICS  
LAST TEN FISCAL YEARS  
(UNAUDITED)**

**ESCAMBIA COUNTY STATISTICS**

<u>Year</u>	<u>Estimated Personal Income</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>
2001	\$ 6,883,055	\$ 23,198	3.8%
2002	\$ 7,202,015	\$ 24,048	3.8%
2003	\$ 6,253,039	\$ 20,616	4.0%
2004	\$ 6,289,531	\$ 20,472	3.5%
2005	\$ 6,486,905	\$ 21,365	3.6%
2006	\$ 6,757,426	\$ 21,823	3.3%
2007	\$ 7,306,960	\$ 23,448	3.9%
2008	\$ 8,812,776	\$ 28,389	4.9%
2009	\$ 7,357,247	\$ 23,316	9.7%
<b>2010</b>	<b>\$ N/A</b>	<b>\$ N/A</b>	<b>11.2%</b>

Source: Personal income data provided by the University of West Florida Haas Center.  
Information was not available for 2010.  
Unemployment data provided by Labor Market Statistics (State of Florida).

**FULL-TIME EQUIVALENT  
EMPLOYEES BY ACTIVITY**

<u>Year</u>	<u>Water and Wastewater System</u>	<u>Sanitation System</u>	<u>Total</u>
2001	407	90	497
2002	408	96	497
2003	418	95	513
2004	415	101	516
2005	404	100	504
2006	405	111	516
2007	405	111	516
2008	422	115	537
2009	416	115	531
<b>2010</b>	<b>415</b>	<b>115</b>	<b>530</b>

Source: Authority's annual budget

**EMERALD COAST UTILITIES AUTHORITY  
MISCELLANEOUS STATISTICS  
LAST TEN FISCAL YEARS  
(UNAUDITED)**

**CAPITAL ASSET STATISTICS BY ACTIVITY**

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
<b>Water:</b>										
Wells	32	32	34	34	33	32	31	31	31	32
Water mains (miles)	1,678	1,713	1,591	1,762	1,762	1,762	1,762	1,762	1,762	1,600
Storage capacity (MGD)	14	14	14	14	14	14	14	14	14	14
<b>Wastewater:</b>										
Treatment plants	3	3	3	3	3	3	3	3	3	3
Sanitary sewer (miles)	1,198	1,294	1,079	1,089	1,089	1,089	1,089	1,089	1,089	900
Treatment capacity (MGD)	31	31	31	31	31	31	31	31	31	31
<b>Sanitation:</b>										
Collection vehicles	94	98	98	77	80	81	81	82	82	82

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**EMERALD COAST UTILITIES AUTHORITY  
SCHEDULE OF INSURANCE  
SEPTEMBER 30, 2010  
(UNAUDITED)**

<u>Types of Coverage</u>	<u>Name of Company</u>	<u>Details of Coverage</u>	<u>Liability Limits</u>
Property Coverage	Florida Municipal Insurance Trust Policy #0162 (Florida League of Cities)	1) All Risk Coverage for structures, equipment and contents on schedules  2) Covers structures, equipment, and contents	(1) \$100,000,000 maximum blanket coverage. All risk for real property and contents per occurrence; \$100,000 deductible on wind and peril 2% and 5% deductible for distance to waterfront locations. (2) \$100,000,000 Total Coverage.
Flood Coverage	Fidelity National Property and Casualty (Fisher-Brown – Agent)	Property Schedules	Conditions: Coverage including flood for Flood in zones A, B and C, respectively
Automobiles	Florida Municipal Insurance Trust	All scheduled vehicles \$25,000 deductible on collision	\$1,000,000 Liability Limits
Boiler & Machinery	Florida Municipal Insurance Trust (as part of property coverage)	Comprehensive Coverage Pays loss from an accident to a covered object while in use or connected ready for use (as part of property coverage)	1) \$10,000,000 per accident  2) The limit of liability is paid on a repair or replacement basis  Deductibles:  \$100,000 each claim except equipment over 100HP
Environmental Pollution	Arch Insurance (Fisher-Brown – Agent)	Covers Fuel Storage Tanks Environmental impairment Liability	\$1,000,000 \$10,000 SIR per Claim

**EMERALD COAST UTILITIES AUTHORITY  
SCHEDULE OF INSURANCE  
SEPTEMBER 30, 2010  
(UNAUDITED)**

<u>Types of Coverage</u>	<u>Name of Company</u>	<u>Details of Coverage</u>	<u>Liability Limits</u>
Business Interruption Coverage/Business Income	Florida Municipal Insurance Trust (as part of property coverage)	Covers actual loss of earnings sustained by ECUA resulting from necessary interruption of business	\$32,844,000
Business Interruption Coverage/Extra Expense	Florida Municipal Insurance Trust (as part of property coverage)	Covers necessary extra expense incurred by ECUA to continue as nearly as practicable the normal operation of business following damage to or destruction of real and personal property	\$5,000,000
Crime Coverage/Money & Securities	Hartford Insurance Group (Fisher- Brown – Agent)	1) Losses inside and outside of premises	1) \$75,000
		2) Depositor's Forgery	2) \$50,000
Crime Coverage/Honesty	Hartford Insurance Group (Fisher- Brown – Agent)	Bond covering losses through fraudulent or dishonest act; includes Finance Director	\$250,000
Comprehensive General Liability	ECUA Self Insured	Bodily injury and property damage	State of Florida (sovereign immunity)
Road Restoration	Western (Fisher-Brown – Agent)	Damages to DOT Roads	State of Florida Requirements

**EMERALD COAST UTILITIES AUTHORITY  
SCHEDULE OF INSURANCE  
SEPTEMBER 30, 2010  
(UNAUDITED)**

<u>Types of Coverage</u>	<u>Name of Company</u>	<u>Details of Coverage</u>	<u>Liability Limits</u>
Public Officials Liability & E&O	RSUI Indemnity Company (Fisher- Brown – Agent)	<p>Pays on behalf of public officials and employees all losses which they shall be legally obligated to pay for civil claims against them because of wrongful acts</p> <p>Reimburses ECUA for losses in which it shall be required by law to indemnify public officials and employees for civil claims made against them because of wrongful acts</p>	<p>\$2,000,000 each loss and aggregate for each policy year</p> <p>\$25,000 retention each loss for Public Officials Liability</p>
Workers' Compensation	ECUA Self Insured	Employment related injury or accident to ECUA employees; TPA, Broadspire	Unlimited medical expense and prescribed loss of earnings of employee, as required by workers' compensation law
Excess Workers' Compensation Insurance	Florida Municipal Insurance Trust	Excess claim coverage	\$300,000 Stop Loss

**EMERALD COAST UTILITIES AUTHORITY  
SCHEDULE OF INSURANCE  
SEPTEMBER 30, 2010  
(UNAUDITED)**

<u>Types of Coverage</u>	<u>Name of Company</u>	<u>Details of Coverage</u>	<u>Liability Limits</u>
Medical Insurance	United Healthcare	<p>All plans cover annual exams, preventive care, and eligible hospital and outpatient charges in participating facilities. Maximum out-of-pocket includes annual deductible.</p> <p>Primary Plan: \$750/1,500 deductible per calendar year \$2,750/5,500 out-of-pocket maximum per calendar year 80/20% coinsurance for major services after deductible has been met \$20/40 per office visit \$100 fee for emergency services \$10/35/70 pharmacy copayment for 31-day supply</p> <p>Buy-Down Plan: \$1,000/2,000 deductible per calendar year \$6,000/12,000 out-of-pocket maximum per calendar year 80/20% coinsurance for major services after deductible has been met \$35/35 per office visit \$200 fee for emergency services \$10/35/70 pharmacy copayment for 31-day supply</p>	<p>Primary Plan: Maximum Policy Benefit: \$5,000,000 per covered person. Mental Health: Inpatient &amp; Intermediate, 30 days per calendar year, 20% coinsurance; Outpatient, \$40 copayment per visit, 30 visits per calendar year. Substance Abuse Services: Inpatient, 30 days per calendar year, 20% coinsurance; Outpatient, \$40 copayment per visit, 44 visits per calendar year.</p> <p>Buy-Down Plan: Maximum Policy Benefit: \$5,000,000 per covered person. Mental Health: Inpatient &amp; Intermediate, 30 days per calendar year, 20% coinsurance; Outpatient, \$35 copayment per visit, 30 visits per calendar year. Substance Abuse Services: Inpatient &amp; Intermediate, 30 days per calendar year, 20% coinsurance; Outpatient, \$35 copayment per visit, 44 visits per calendar year.</p>



**EMERALD COAST UTILITIES AUTHORITY  
SCHEDULE OF INSURANCE  
SEPTEMBER 30, 2010  
(UNAUDITED)**

<u>Types of Coverage</u>	<u>Name of Company</u>	<u>Details of Coverage</u>	<u>Liability Limits</u>
Medical Insurance (Continued)	United Healthcare	Health Savings Account (HSA) Plan: \$2,500/5,000 deductible per calendar year; \$2,500/5,000 out-of-pocket maximum per calendar year 100/0% coinsurance for medical and pharmacy services 100% coverage for preventive services Discounted fees paid for illness/injury office visits, emergency health services, and prescriptions Network and non-network benefits \$750 employer contribution into Health Savings Account	Maximum Policy Benefit: \$5,000,000 per covered person. United Healthcare discounted fees are paid for medical and pharmacy services until annual deductible has been met. After deductible has been met, these services are covered at 100%. Mental Health: Inpatient & Intermediate, 30 days per calendar year, discounted fee, 0% coinsurance after deductible is met; Outpatient, 30 visits per calendar year, discounted fee, 0% coinsurance after deductible is met. Substance Abuse Services: Inpatient, 30 days per calendar year, discounted fee, 0% coinsurance after deductible is met; Outpatient, 44 visits per calendar year discounted fee, 0% coinsurance after deductible is met.
Life Insurance	Standard Insurance Company	Basic Life Additional Life – optional Accidental Death & Dismemberment	Basic Coverage: \$50,000 or 1x salary, whichever is greater; doubled if death is caused by accident. Additional Life: 1x, 2x, 3x or 4x salary.
Dental Insurance	United Concordia	Diagnostic/Preventative Services – plan pays 100%; Basic Services – plan pays 80% ; Major Services – plan pays 50% Orthodontics (Adult & Child) – plan pays 50%; \$50/100 calendar year deductible for Basic and Major services	Calendar year maximum per covered person is \$1,000 or \$1,500 for Diagnostic/Preventative, Basic, and Major Services. Lifetime Orthodontic Maximum per covered person is \$1,000 or \$1,500.
Long Term Disability Insurance	Standard Insurance Company	60% of gross monthly income, pre-disability earnings 6-month elimination period 3-month elimination period is optional	\$5,000 maximum monthly benefit

## **OTHER REPORTS**

**REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Board  
Emerald Coast Utilities Authority  
Pensacola, Florida

We have audited the basic financial statements of the Emerald Coast Utilities Authority (the “Authority”) as of and for the year ended September 30, 2010, and have issued our report thereon dated March 9, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority’s internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is more than a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Members of the Board  
Emerald Coast Utilities Authority

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Authority in a separate letter dated March 9, 2011.

This report is intended solely for the information and use of the Board, management, federal and state awarding agencies, and the State of Florida Office of the Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Saltmarsh Cleveland & Lund". The signature is written in a cursive, flowing style.

Pensacola, Florida  
March 9, 2011

**REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT  
ON EACH MAJOR FEDERAL PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

Members of the Board  
Emerald Coast Utilities Authority  
Pensacola, Florida

**Compliance**

We have audited the compliance of Emerald Coast Utilities Authority (the “Authority”) with the types of compliance requirements described in the U.S. Office of Management and Budget (“OMB”) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the Authority’s major federal programs for the year ended September 30, 2010. The Authority’s major federal programs are identified in the summary of auditor’s results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Authority’s management. Our responsibility is to express an opinion on the Authority’s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Authority’s compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2010.

### **Internal Control Over Compliance**

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, management, the State of Florida Office of the Auditor General, and federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



Pensacola, Florida  
March 9, 2011

**EMERALD COAST UTILITIES AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -  
FEDERAL PROGRAMS  
YEAR ENDED SEPTEMBER 30, 2010**

**A. SUMMARY OF AUDITOR'S RESULTS**

1. The independent auditor's report expresses an unqualified opinion on the financial statements of the Emerald Coast Utilities Authority (the "Authority").
2. No significant deficiencies relating to the audit of the financial statements are reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the Authority, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal programs for the Authority expresses an unqualified opinion.
6. There are no audit findings relative to the major federal programs for the Authority which are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as major programs were:

**Federal Programs**

**CFDA No.**

Public Assistance Grant

97.036

Clean Water State Revolving Fund Loan

66.458

8. The threshold for distinguishing Types A and B programs was 3% of total expenditures of federal awards (\$1,130,961) for major federal programs.
9. The Authority qualified as a low-risk auditee.

**B. FINANCIAL STATEMENT FINDINGS**

None.

**C. FINDINGS AND QUESTIONED COSTS – FEDERAL PROGRAMS**

None.

**EMERALD COAST UTILITIES AUTHORITY  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED SEPTEMBER 30, 2010**

There were no prior year audit findings.



## MANAGEMENT LETTER

Members of the Board  
Emerald Coast Utilities Authority  
Pensacola, Florida

We have audited the financial statements of the Emerald Coast Utilities Authority (the “Authority”), as of and for the fiscal year ended September 30, 2010, and have issued our report thereon dated March 9, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have issued our Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements in Accordance with *Government Auditing Standards*, and our Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133. Disclosures in those reports, which are dated March 9, 2011, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor’s reports:

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. The significant findings and recommendations made in the preceding annual financial audit report have been followed except as noted as follows:

### **Information Technology - Documentation and Controls**

The small size of the Information Technology (“IT”) Department places limitations on internal controls that are applicable to the Authority’s information technology, such as segregation of duties, systems documentation, and some computer security procedures. While it may not be economically feasible to hire additional staff simply to achieve better controls, we recommend the Authority develop a long-term plan for the IT Department. During the year ended September 30, 2010, the Authority engaged a consultant to develop a written risk assessment, which included the IT department. This risk assessment should be utilized to support the Authority’s long-term goals and incorporate planning for risk based changes and improvements to be made that will resolve, or mitigate to the extent feasible, the existing control weaknesses. In addition, the Authority should periodically reevaluate the controls to ensure that material weaknesses do not develop.

### **Management Response**

The Authority will make a risk assessment of our system and develop a long-term plan to incorporate improvements that will address existing control weaknesses.

- Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Authority complied with Section 218.415, Florida Statutes.
- Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we had no such recommendations.
- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the determination of financial statement amounts that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.

Members of the Board  
Emerald Coast Utilities Authority

- Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. This information is included in the notes to the financial statements. There are no component units.
- Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local government entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Authority did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the Authority for the fiscal year ended September 30, 2010, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2010. In connection with our audit, we determined that these two reports were in agreement.
- Pursuant to Section 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the Authority's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Pursuant to Chapter 119, Florida Statutes, this management letter is public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of the Board, management and the State of Florida Office of the Auditor General and is not intended to be and should not be used by anyone other than these specified parties.



Pensacola, Florida  
March 9, 2011